

## EDMONTON FINANCIAL SUSTAINABILITY FRAMEWORK

### Recommendation

That Executive Committee recommend to City Council:

That the Edmonton Financial Sustainability Framework, as outlined in Attachment 1 of the September 10, 2025, Financial and Corporate Services report FCS02994, be approved.

<b>Requested Action</b>	Council decision required		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	N/A		
<b>City Plan Values</b>	N/A		
<b>City Plan Big City Move(s)</b>	N/A	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• C578A Multi-year Budgeting Policy</li> <li>• C629A Financial Stabilization Reserve Policy</li> <li>• C212E Investment Policy</li> <li>• C217F Reserve and Equity Accounts Policy</li> <li>• C203D Debt Management Fiscal Policy</li> <li>• C624 Fiscal Policy for Revenue Generation</li> <li>• C200B Financing of Local Improvements</li> <li>• C597B Blatchford District Energy Utility Fiscal Policy</li> <li>• C604B Edmonton Police Service Funding Formula</li> <li>• C605 Edmonton Police Service Reserve</li> <li>• C610A Fiscal Policy for the Planning and Development Business</li> <li>• C579B Traffic Safety and Automated Enforcement Reserve</li> <li>• C558C Waste Services Utility Fiscal Policy</li> <li>• Bylaw 11713 Ed Tel Endowment Fund Bylaw</li> </ul>		

### Related Council Discussions

- March 5, 2025, Financial and Corporate Services report FCS02746 Fiscal Gap Strategies Work Plan
- October 22, 2024, Financial and Corporate Services report FCS02218 Capital and Operating Funding Shortfall Analysis

### Previous Council/Committee Action

At the March 5, 2025, Executive Committee meeting, the following motion was passed:

That Administration, in connection with the Fiscal Gaps work-plan, develop a draft framework to strengthen Edmonton's financial sustainability, future fiscal independence, and the potential of a "legacy savings fund", by exploring new revenue strategies, optimizing municipal assets, attracting investment to stimulate economic growth, and enhancing the city's capacity to leverage provincial and federal grants to their fullest potential. Further, that this framework:

1. Aligns with existing strategies, ensuring coherence with current city policies, financial plans, and operational frameworks.
2. Identifies new opportunities, including innovative financial models, diversification strategies, and approaches to improve the management of municipal assets.
3. Develops initiatives to position Edmonton as a competitive destination for business and industrial investment, fostering economic diversification and growth.
4. Strengthens Edmonton's long-term financial resilience by addressing infrastructure funding needs, stabilizing revenue streams, and ensuring the city's capacity to deliver essential services.

### Executive Summary

- The City of Edmonton is in stable financial condition.
- Administration is developing a Financial Sustainability Framework to integrate with the City's Strategic Planning Framework that will provide a structured approach to enable the achievement of the goals and objectives set out in the City's Strategic Planning Framework within the confines of the City's financial capacity.
- The Financial Sustainability Framework will ensure Edmonton's finances remain sustainable now and in the future as the organization matures: current financial sustainability provides a foundation for future financial independence with the ultimate goal of leaving a legacy for future generations.
- Five foundational principles and five foundational elements within the framework will balance the City's financial capacity with the aspirations of the community.
- Council endorsement of the five foundational principles and five foundational elements within the Financial Sustainability Framework is required. With the approval of the Financial Sustainability Framework as outlined in Attachment 1, Administration will create a Financial Sustainability Plan.
- The Financial Sustainability Framework provides the foundational principles and elements that will guide future work including The Fiscal Gaps work plan which includes actions that explore

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new revenue strategies, optimizing municipal assets, attracting investment to stimulate economic growth, and enhancing the City's capacity to leverage provincial and federal grants to their fullest potential.

### 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 22, 2025, S&P Global raised its ratings for the City of Edmonton, including its long-term issuer credit and senior unsecured debt ratings, to AA+ from AA in 2024. 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. The October 22, 2024, Financial and Corporate Services report FCS02218 Capital and Operating Shortfall Analysis defined the City's fiscal gap, and March 5, 2025, Financial and Corporate Services report FCS02746 Fiscal Gap Strategies Work Plan outlined the work plan to address the fiscal gap. The work plan includes actions that explore new revenue strategies, optimizing municipal assets, attracting investment to stimulate economic growth, and enhancing the City's capacity to leverage provincial and federal grants to their fullest potential.

### Financial Framework

The creation of a Financial Sustainability Framework is foundational to the City's long-term financial sustainability and ensuring the City of Edmonton has a resilient financial position. A lasting framework ensures the City remains financially sustainable both now and in the future. The Financial Sustainability Framework is designed to focus first on solidifying Edmonton's financial sustainability in order to provide a stable foundation for future financial independence and ultimately leave a legacy for future generations.

### Comprehensive Strategic Planning Framework

A Financial Sustainability Framework will provide a structured approach that will enable the achievement of the goals and objectives set out in the City's Strategic Planning Framework within the constraints of the City's revenue-raising capacity.

The strategic planning framework is a network of six elements that guide how our City works to enable a better life for Edmontonians:

**ConnectEdmonton:** Edmonton's strategic plan sets the direction for our future and outlines where we need to change today to realize our vision for Edmonton in 2050. It is about community direction, aspiration and inspiration. This is Edmonton's highest-level plan and it's about making transformational change.

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**The City Plan** is about our spaces and places, and how we move around the city. It is about our community and what we need to do together to grow, adapt and succeed. The City Plan describes the choices we will make to become a healthy, urban and climate-resilient city of 2 million people that supports a prosperous region.

**The Corporate Business Plan** maps out how the City will deliver programs, services and capital projects to Edmontonians over the next four years. It takes these long-term goals, along with Council's budget decisions, and breaks them down into actions.

**Budget and Finances:** Our budget maps out how tax dollars and other funding will be invested to provide the programs, services and infrastructure projects that matter to Edmontonians.

**Enterprise Performance Management** helps us foster a results-based approach to managing our performance and achieving results Edmontonians care about.

**Enterprise Risk Management** identifies and anticipates the risks to the City in order to support effective decision-making, strengthen resilience and create opportunities to innovate the way we deliver services to Edmontonians.

The Financial Sustainability Framework will guide the budget and financial aspect of the strategic plan, connecting our long term financial planning to the vision articulated in ConnectEdmonton but grounding our work in the City's revenue-raising capacity. In short, the Financial Sustainability Framework will balance the desires and aspirations of a community with the fiscal capacity to deliver on those aspirations. The Financial Sustainability Framework will be focused on long-term financial sustainability but flexible enough to adapt, recover and thrive in the face of changing economic, political and social realities.

### **Outcome: The City of Edmonton is Financially Sustainable**

Outcome Statement: The City of Edmonton is a financially sustainable municipality with the financial resources to provide programs, services and infrastructure on an ongoing basis, while maintaining its infrastructure assets, and without introducing unplanned tax or rate increases, unexpected service level reductions, unjustified reductions in infrastructure investment or compromising future generations' capacity to do the same.

The City of Edmonton's outcome statement was developed through a review of research and literature, and is based on a working definition of a financially sustainable municipality as follows:

A financially sustainable municipality is one which has the requisite financial capacity to meet its current and future financial obligations without:

- Unexpected tax, utility rate or user fee increases. Financially sustainable municipalities approve and implement tax, utility rate and user fee increases in a planned and transparent manner. Proposed increases are fully justified and clearly communicated to residents and ratepayers.

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- Unplanned cutbacks in program or service levels. While financially sustainable municipalities avoid unplanned reductions in programs and service levels, they pay ongoing, formal attention to ensuring that program and service levels are appropriate.
- Unjustified reductions in infrastructure investment. Financially sustainable municipalities ensure that they are investing appropriately in the construction, expansion and rehabilitation of municipal infrastructure. Financially sustainable municipalities have leading practice infrastructure and asset management systems in place.
- Compromising its capacity to continue to do the same in the future. Financially sustainable municipalities ensure that the collective impact of their decisions do not weaken the financial capacity of successive Councils.

### Developing the Financial Sustainability Framework

The Financial Sustainability Framework is underpinned by five foundational principles and five foundational elements.

#### Foundational Principles

The following five foundational principles underpin the Financial Sustainability Framework:

- **Transparency:** All financial decisions and reporting are transparent and accessible. This ensures residents have a clear understanding of how public funds are managed and where they are allocated.
- **Public Affordability:** All activities are conducted in the interest of public affordability. This ensures that municipal services and tax burdens are managed in a way that is reasonable and sustainable for residents and businesses.
- **Value for Money:** Maximum public benefit is obtained from every dollar spent. This means the City is committed to efficient resource allocation, seeking the highest possible return on investment for all its initiatives and services.
- **Strategic Alignment:** All business area goals and strategic objectives are aligned with the corporation's financial strategies and constraints. This ensures a cohesive approach to achieving the City's long-term vision within the City's financial capacity.
- **Intergenerational Equity:** Financial decisions ensure that resources and costs are distributed across generations in proportion commensurate with use and benefit. This involves managing costs, benefits and resources over time to create equity and fairness across generations.

#### Foundational Elements

Administration has identified five foundation elements that are necessary to achieving the outcome of being a financially sustainable municipality. These five foundational elements are:

1. The City of Edmonton is a judicious steward of all City assets

Building a great city takes foresight and planning to ensure assets are delivered and maintained for accountable service delivery. This applies to all physical infrastructure assets, technology assets, as

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well as its financial assets, and is achieved by:

Infrastructure assets:

- Ensuring the best possible balance is reached between infrastructure growth and infrastructure renewal that maximizes benefits, reduces risk and provides satisfactory levels of service to the public.

Technology assets:

- Leveraging technology and data to enable quality decision-making and enhance innovative service delivery.
- Pursuing the modernization of technology assets to optimize operations, improve efficiency, and ensure long-term financial sustainability by reducing future maintenance costs and increasing the return on investment.

Financial investments:

- Investing funds under the City of Edmonton's control in permitted capital markets to maximize returns at a prudent level of risk.
- Maintained as a financial legacy for future generations through the Ed Tel Investment Fund.

### 2. The City of Edmonton responsibly and prudently manages its financial resources by maintaining a structurally balanced budget

A structurally balanced budget is one that supports financial sustainability for multiple years in the future by:

- Ensuring recurring revenues always cover or exceed recurring expenditures
- Ensuring liquid assets (working capital) are sufficient to meet ongoing operating and capital expenditures.
- Maintaining adequate financial reserves to address emergent financial risks.
- Using debt strategically and within legislative guidelines.

### 3. The City of Edmonton has the necessary financial capacity to meet its objectives

Financial capacity is the City's ability to generate sufficient revenue, manage finances effectively, and maintain financial stability to provide services and meet the needs of residents. This is achieved through:

- A non-residential tax base that is well-balanced with its residential tax base.
- A diverse mix of revenue sources, which reduce vulnerability from overexposure to any single revenue source.
- The use of user fees as part of the City of Edmonton's non-tax revenue envelope, designed and implemented with the intention of achieving strategic goals.
- Exploring the use of tax policies to enhance the ability to advance strategic objectives.
- Designing, building and operating a financially sustainable, efficient, compact city.

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### 4. The City of Edmonton makes decisions for today that do not compromise its financial health in the future

Responsible decision-making considers the effects on all Edmontonians now and in the future, and is done by:

- Applying full costing for all existing services, new services, and for city planning and city building decisions that have ongoing financial implications.
- Using financial analytics to evaluate the delivery of all services and programs, as well as all city planning and city building initiatives.
- Understanding growth demands and responding in a financially sustainable way.
- Avoiding leveraging capital today in a way that defers costs and creates an infrastructure debt for future generations.
- Making decisions for the betterment of, or to avoid harming, the environment.

### 5. The City of Edmonton conducts its day-to-day business aligned with core services and its long-term strategic goals

The Strategic Planning Framework guides:

- The prioritization of all services, programs and capital projects so that the highest number of strategic objectives can be achieved with constrained financial resources.
- Multi-year branch business plans in alignment with its strategic plans.
- The alignment of strategic planning, business planning, and resource planning through multi-year capital and operating budgeting.
- Base service standards are fully funded across the corporation before allocating resources to service enhancements.

## Next Steps

Using the foundational principles and foundational elements within the Financial Sustainability Framework, Administration will develop a Financial Sustainability Plan for Council approval.

## Budget/Financial Implications

Administration will complete the Financial Sustainability Plan in connection with the development of the four year capital and operating budgets. While there are no direct financial implications from the creation of the Financial Sustainability Framework its use will inform future financial and budget decisions.

## Community Insight

Public engagement was not conducted specifically for this report, as the framework is intended to be an internal tool to support financial decision-making.

However, Administration considers feedback from multiple sources to inform decision-making on the budget and in the March 5, 2025, Financial and Corporate Services report FCS02746 Fiscal

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Gap Strategies Work Plan, Administration committed to gathering input and insights from affected parties on the measures the City will take to address the fiscal gap. The development of the next 2027-2030 budget will also be supported by comprehensive community engagement.

### **GBA+**

The Financial Sustainability Framework foundational principles of Public Affordability, Value for Money and Intergenerational Equity are intended to ensure that the service needs of Edmontonians are met to the best of the City's ability, in balance with ongoing fiscal responsibility. Stable, sustainable budgeting allows the City to minimize tax and fee increases, reducing the financial strain on residents and service users. This is especially critical for low-income Edmontonians, those on a fixed income or other groups for whom unexpected or large tax or fee increases would cause financial hardship. Administration plans to conduct a GBA+ analysis as part of the development of the Financial Sustainability Plan.

### **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. Edmonton Financial Sustainability Framework