

# 2015 Operating Budget Update

## Recommendation:

1. That the 2015 tax levy budget be increased by \$4,398,000 to reflect higher than budgeted tax revenue from assessment growth.
2. That the 2015 municipal tax levy budget be increased by \$1,156,000, using a portion of the \$32,600,000 of education property tax to fund the impact of the revenue adjustments, resulting in a 5.7% average increase for the combined municipal and education property tax due to the education property tax being lower, as determined by the Province, than the municipal tax increase of 5.7% approved by Council during the 2015 budget deliberations.
3. That the 2015 municipal tax levy budget be increased by \$31,444,000, using the \$32,600,000 of education property tax and transfer this amount to the LRT reserve for the Valley Line LRT project, resulting in a 5.7% average increase for the combined municipal and education property tax due to the education property tax being lower, as determined by the Province, than the municipal tax increase of 5.7% approved by Council during the 2015 budget deliberations.
4. That the 2015 Operating Budget amendments, as outlined in Attachment 1 of the April 14, 2015, Financial Services and Utilities report CR\_2037, be approved.

## Report Summary

**This report recommends adjustments to the Council approved 2015 Operating Budget.**

## Previous Council/Committee Action

At the November 26, 2014, City Council Budget meeting, the following motion was passed:

That the 2015 Operating Budget, be approved as follows:

1. Total tax-supported operations with revenues of \$2,327,761,000 and expenditures of \$2,327,761,000. Tax-supported operations revenue of \$2,327,761,000 includes:
  - a) Revenue based on a total property and payment-in-lieu tax levy estimated to be \$1,335,281,000 (4.2% general tax increase and 1.5% for Neighbourhood Renewal).
  - b) Estimated non-tax revenue of \$992,480,000.
2. The Municipal Enterprises operating budget includes:
  - a) Land Enterprise with revenues of \$68,903,000 and expenditures of \$53,764,000.
  - b) Blatchford Redevelopment Project with revenues of \$562,000 and

expenditures of \$4,112,000.

3. The Community Revitalization Levies operating budget includes:
  - a) Belvedere Community Revitalization Levy with revenues of \$5,730,000 and expenditures of \$5,730,000.
  - b) Capital City Downtown Community Revitalization Levy with revenues of \$9,608,000 and expenditures of \$9,608,000.
4. Non-cash 2015 budget adjustments for amortization of \$348,403,000 and contributed assets of \$77,500,000.

### Report

Since Council approved the 2015 Budget in December 2014, assessment growth has been finalized. This report also recommends adjustments to the Council approved 2015 operating budget to address changes that have occurred subsequent to the December 2014 approval of the 2015 budget.

### 2015 Revenue Adjustments

Administration has identified revenue adjustments that are required for the 2015 Operating Budget. The adjustments have been identified in Attachment 2 and include:

- Final assessment figures have been calculated for 2014, the amount of assessment growth for 2015 is greater than the estimate in the budget approved by Council in December 2014. The increase in tax revenue available from growth over what was approved in the interim budget is \$4.4 million.
- A reduction in tax revenue in the amount of \$6.7 million as the Province announced that they will be eliminating municipal grants (tax in lieu) for property taxes within municipalities for government owned and supported social housing.
- In 2015, the Province has increased Edmonton Public Library's per capita grant by 10 cents to \$5.55 per capita. In addition, the Province will also pay the grant using the latest civic census. As a result, Edmonton Public Library will increase its grant revenues in 2015 by \$400,000 which is intended to fully fund two eplGo sites in west and northeast Edmonton.
- The Province also announced that there will be an average increase of 35% to traffic fines and violations. This is estimated to increase the Automated Enforcement Revenue by \$6.8 million and the Edmonton Police Service revenue budget by a further \$300,000. In accordance with Policy C579, Administration is transferring the additional \$6.8 million to the Traffic Safety and Automated Enforcement Reserve from which the funds can be further allocated to fund traffic safety and other programs for Office of Traffic Safety, Edmonton Police Services, other traffic safety programs, and community infrastructure programs.
- As per Policy C516B, Land Enterprise pays an annual dividend to the City based on 25% of the actual net income of land development activity. Based on the actual land transactions completed in 2014, the Land Enterprise Dividend is \$500,000 higher than the amount approved in December 2014.

As a result of these revenue adjustments, the required tax levy would need to increase from 5.7% to 5.8% in order to support the operating budget Council approved in December 2014. Rather than increase the tax levy, Administration is recommending that \$1.2 million of the \$32.6 million available from education property tax be used to maintain an overall municipal and education property tax increase of 5.7%

### 2015 Cost Considerations

During the 2015 operating budget deliberations, Council directed Administration to bring back reports on additional costs to be considered prior to approving the tax rate bylaw. As well, additional cost considerations have been identified, some through Committee meetings, and require Council consideration.

- At the January 27, 2015, Council meeting, the start up costs associated with establishing the Municipal Development Corporation were discussed. As was identified, one-time costs for 2015 amounted to \$800,000 and a further \$1.2 million in one-time costs is required for 2016.
- As part of a Council report presented April 14, 2015, Edmonton Police Services provided an update on staffing. This update identified a need for an additional 40 FTEs related to the downtown revitalization. The total cost associated with this need is \$6.4 million with \$2.4 million of this required in 2015. This same report identified an additional 9 FTEs related to transit policing. The full year cost for these FTEs is \$1.4 million of which \$700,000 is required in 2015.
- At the March 25, 2015, Transportation Committee meeting, a motion was made to bring forward for consideration the funding of 6 FTEs related to transit safety. The total cost associated with these additional Transit Peace Officer FTEs is \$600,000, of which \$400,000 is required in 2015.
- With the additional funding provided by the Province to the Edmonton Public Library, a cost consideration in the amount of \$400,000 has been identified to deal with the delivery of the eplGo program. City Council previously approved two eplGo store front locations in growing areas of the City as an interim solution in meeting demands of customers in new neighbourhoods. One new location is planned to open in summer of 2015 and another in the latter half of 2015. Preliminary estimates for facility fit-up and operating costs included in Edmonton Public Library's 2015 Operating Budget were lower than tendered/negotiated costs and as a result the additional Provincial library grant funding of \$400,000 will be used to fund the higher than anticipated costs for the two eplGo locations.

Attachment 3 identifies these cost considerations and their associated property tax increase.

### Education Tax

The property tax bill includes a tax levy for municipal and provincial education requirements. The 2015 provincial education requirement for the City is lower than the 5.7% municipal tax increase approved by Council in December 2014. Council could

approve a \$32.6 million municipal tax increase and still achieve an average 5.7% increase over the combined municipal and education property tax.

As previously mentioned, Administration is recommending using \$1.2 million of these funds to offset the overall reduction in expected revenue, which would maintain the combined municipal and education property tax increase at 5.7%. With the additional \$31.4 million available due to the provincial education requirements, Council has options to consider including:

1. Leaving the \$31.4 million reduction in education tax as is. The impact on taxes would be a combined municipal and education reduction on the tax bill of 2.5% from the 5.7% approved by Council in December 2014.
2. Allocate the funds to the projected operating impacts of the Valley Line LRT. The tax levy impact is expected to be phased in during construction starting in 2016. Allocating the \$31.4 million would reduce the tax levy impact of this project.
3. Use a portion of the \$31.4 million to fund on-going operating cost considerations previously identified in this report.

Considering these options, Administration is recommending that Council use the remaining \$31.4 million available due to provincial education requirements and allocate these funds to address commitments Council has already approved. Option 2 above is recommended with the funds allocated to the commitment approved for operational impacts associated with the Valley Line LRT project. A further breakdown of the municipal and education property tax for 2015 is outlined in Attachment 4.

### Adjustments Requiring Council Approval

The following administrative budget adjustments will not impact the balance of the overall tax levy but require Council approval:

- The approved budget for Intergovernmental and External Affairs includes funding for the ITU World Triathlon Series in the amount of \$1.2 million, which Administration is recommending to be transferred to Community and Recreation Facilities.
- The approved operating budget for Transportation Operations includes funding for integrated speed equipment in the amount of \$3.4 million, which Administration is recommending to be transferred to the Traffic Safety and Automated Enforcement Reserve to fund capital purchases.
- The approved budget for each of the departments includes funding for the cost of administration for the Short Term Disability program in the amount of \$1.3 million, which Administration is recommending to be transferred to Human Resources.
- The approved budget for Urban Planning and Environment includes funding for the 'Brownfield Remediation and Redevelopment Grant' Phase I in the amount of \$1.9 million, which Administration is recommending to be removed as the transactions have already been approved and recorded as part of the 2014 year end transfers.

- At the February 24, 2015, Executive Committee meeting, the agreement for 'Brownfield Remediation and Redevelopment Grant' Phase II was approved in the amount of \$3.5 million, which Administration is recommending the Urban Planning and Environment revenue and expenditure budget be increased in order to recognize the liability.
- Administration has received notice that the Province has agreed to reimburse the City's costs of the E2022 bid for the Commonwealth Games in amount of \$2.8 million. \$1.9 million of those costs were incurred in 2014 and formed part of the year end position. Administration is recommending that the \$1.9 million of City funds resulting from the reimbursement of the 2014 costs be transferred to the Financial Stabilization Reserve. The balance of the transfer, \$900,000 should be used to fund the 2015 costs. Administration is further recommending that the City monies of \$1.9 million be appropriated within the Financial Stabilization Reserve to be used for further event attraction activities.
- Administration is recommending that the revenue and expenditure budget for Current Planning be decreased by \$1.2 million. The estimates for the expenditures related to the Revolving Industrial Servicing Fund and the required transfer from the reserve have been decreased as a rebate previously proposed to be paid in 2015 will not occur.
- The creation of the Traffic Safety and Automated Enforcement Reserve during the 2015 budget deliberations required a number of transactions, some of which were not captured when the operating budget was approved in December 2014. Administration is recommending that the revenue and expenditure budget for Corporate Programs be increased by \$35 million to budget the 'transfer to' and 'transfer from' transactions for the reserve.
- The calculation of the final assessment figures for 2014 results in an increase to the estimated tax revenue to be collected in 2015 for the CRLs. As described in Attachment 1, Administration is recommending that the Community Revitalization Levy revenue and expenditure budgets for all the CRLs be adjusted to reflect the additional tax revenue to be collected.

### **Corporate Outcomes**

This report supports the corporate goal of ensuring Edmonton's financial sustainability by contributing to the following corporate outcomes:

- The City of Edmonton has sustainable and accessible infrastructure.
- The City of Edmonton has a resilient financial position.

### **Budget/Financial Implications**

With the approval of the recommendations including adjustments in Attachment 1, the average percentage increase of the combined municipal and education residential property tax for 2015 would be at 5.7% (4.2% for increase for services and 1.5% increase for the Neighbourhood Renewal Program).

### Justification of Recommendation

1. Since Council approved the budget in December 2014, assessment growth has been finalized.
2. The property tax bill includes a tax levy for municipal and provincial education requirements. The provincial education requirement for 2015, for the City is lower than the 5.7% municipal tax increase approved by Council in December 2014. Increasing the municipal tax by \$1.2 million maintains an average 5.7% over the combined municipal and education residential property tax.
3. The property tax bill includes a tax levy for municipal and provincial education requirements. The provincial education requirement for 2015, for the City is lower than the 5.7% municipal tax increase approved by Council in December 2014. Increasing the municipal tax by \$31.4 million maintains an average 5.7% over the combined municipal and education residential property tax.
4. More up-to-date estimates of specific revenues and expenditures have been identified.

### Attachments

1. 2015 Operating Budget Recommendations
2. 2015 Operating Budget Changes
3. 2015 Cost Considerations
4. 2015 Tax Requirement

### Others Reviewing this Report

- K. Rozmahel, General Manager, Corporate Services