

Structural Budget Variances - June 30, 2025 Operating Financial Update
(\$000's)

Dept	Branch	Item Name	Description of structural budget variance	2025 Year End Projected variance \$000's	Annual SBV \$000's	Status Update	Timing
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: 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>	3,442	(12,990)	<p>ETS is projecting a \$3.4M positive variance for 2025 as a result of positive YTD fare revenue performance. This can directly be linked back to implementation of this action plan, including:</p> <ul style="list-style-type: none"> - Implementation of additional 50,000 service hours in April 2025 contribute to increased ridership and fare revenue. - More options for faring are being introduced in 2025 to make more convenient options for riders, including Open Payment and two multi-day Arc pass options. The multi-day Arc pass was implemented in February 2025, to attract hybrid workers and visitors. - Enhanced safety measures, including joint deployment teams, are in place across the network for fall and winter. - ETS has increased rider outreach and education to grow ridership and fare revenue. - Actions to boost ridership contributed to a 15% increase in overall ridership in 2024 compared to 2023. - TPOs have increased random fare inspections to ensure compliance. Through growth in TPO positions over the next year, more randomized fare inspections will take place. - Audio and visual reminders in LRT encourage fare payment, including use of Arc cards. <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 2027-2030 operating budget.</p>	2027 - 2030 Budget
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 & 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>	(2,060)	(2,060)	<p>Vandalism is a widespread problem. Since 2020 the city has experienced a higher volume of vandalism and graffiti incidents. Each area has different plans to resolve these concerns. Some initiatives in the past has been a door hardening project intended to prevent individuals from gaining access to transit facilities and defacing them. A new initiative aims to address graffiti with all the relevant partners and determine the best path forward in terms of efficiency and budget savings.</p> <p>ETS related vandalism: The budget variance is due to higher volume of incidents, 30 additional Transit Peace Officers are being added to the transit network by summer 2026. Data from TPOs shows that their proactive presence reduces disorder. This investment should reduce vandalism in transit spaces.</p>	2027 - 2030 Budget Cycle
City Operations	Parks and Roads Services	OSCAM Revenues & Recoveries (Permit Fee Revenue)	<p>OSCAM permit revenue budget has been unfavorable since fees were introduced on February 24, 2019.</p> <p>Key reasons:</p> <ol style="list-style-type: none"> 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. <p>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.</p>	(4,500)	(4,500)	<p>Fee Structure Review and Recommendations: The OSCAM Program Review Project (initiated Q3 2024) is finalizing its assessment of the current fee structure and will propose revisions and new fees based on a jurisdictional review of major Canadian municipalities. Implementation is contingent on industry partner engagement and City Council approval. Platform Migration for Enhanced User Experience: The OSCAM permit request and processing will transition from the current online system to the POSSE platform (used by UPE for development permits), aiming to improve the user experience.</p>	2027 - 2030 Budget Cycle

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>	(2,300)	(2,300)	<p>Ongoing Contaminated Sand Removal: To maintain compliance, the City continues to remove contaminated sand and transport it to a landfill.</p> <p>Significant Volume of Contaminated Sand: Approximately 100,000 tonnes of legacy contaminated sand and an estimated 72,000 tonnes of newly collected sand require landfill disposal.</p> <p>Multi-Year Remediation Timeline: Complete removal of all contaminated sand is projected to be completed by end of Dec, 2025. Once this volume has been removed, Parks and Road Services will still need to remove each year's estimated 72K-80K tonnes of newly collected sand for disposal. Costs related to this ongoing expense is being calculated as the City just received a cost increase notification from the landfill company.</p> <p>A business case is being prepared that will be presented for consideration for the 2027-30 budget process.</p>	2027 - 2030 Budget Cycle
City Operations	Parks and Roads Services	Parking Revenue (Parking Revenue)	<p>Parking revenue has remained below expectations since COVID-19, despite a revenue budget reduction in 2023 to account for ongoing pandemic-related and economic impacts.</p>	(600)	(1,900)	<p>Enhanced marketing campaign: Supported the transition to a mobile-only payment system including social media, print ads, instructional videos, 311 assistance, and handbills</p> <p>Comprehensive public education via outreach: Educate people on new parking methods and assist with purchases. Partnering with with Edmonton Public Libraries and seniors' centers to offer drop-in information sessions on EPark payments.</p> <p>New Employee Discounted Parking: Starting in September, City employees will have an option for a discounted parking rate (\$12 per day) in Century Place parkade to increase parking revenue, as there's parking occupancy in the parkade.</p>	Q1 2027
Corporate Programs	Corporate Expenditures	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"> 1. Damages and repairs to City's assets (First Party claims), driven by asset base growth, inflation, aging infrastructure, climate change and vandalism. 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. <p>Current Service Level: In-house litigators and adjusters manage third-party claims effectively, pursuing settlements or legal proceedings as appropriate. ICM performs claims debriefs in collaboration with the business areas to inform loss prevention.</p>	(2,000)	(2,000)	<p>The First ICM Annual Update was presented to ELT on May 29, 2025. The update includes claims trends and proposed mitigation priorities for ELT's endorsement and direction on next steps. The recommended actions require corporate support/investment and involve multi-year efforts. The primary drivers for the budget variance are external factors such as inflation, growth, aging infrastructure, impacts of climate change, legal environment, social and economic conditions. Budget increase in this expenditure is unavoidable.</p> <p>Strategies in progress to address the variance in the immediate term (next 12 months) include:</p> <ul style="list-style-type: none"> - reassessment of insurance coverage for various asset classes, - adjustment of premium levels for partner organizations, - enhanced activity / trend reporting and debrief sessions with asset owners, and - establishment of auto incident reduction targets. 	2027 - 2030 Budget Cycle
Corporate Programs	Corporate Expenditures	WCB Premiums	<p>The City of Edmonton's WCB premiums continue to increase year over year. The industry rate has gradually been increasing year over year and the City has more lost time claims, longer duration of injuries and less modified work offerings, which has resulted in a surcharge. In the last year, the City's claim costs have been higher than the industry average, compounding the premium increase the City is already experiencing.</p> <p>Current Service Level: The City pays the premium calculated by WCB based, in part, on the industry and employee rates.</p>	(1,000)	(1,500)	<p>The WCB Evaluation Project concluded on May 26, 2025, identifying five systemic gaps in the City's injury management policies and practices that contribute to WCB premiums and, consequently, a budget variance. These gaps include the absence of a corporate policy, unclear post-treatment/modified duty procedures, lack of specificity in training, inconsistent data input and utilization, and a lack of reporting/performance targets. These are systemic issues, not individual failings.</p> <p>The project delivered 10 recommendations to address these gaps. A dedicated Phase Two project will now build on these findings by developing and standardizing enterprise-wide processes, enhancing training, and improving data performance.</p> <p>Addressing these systemic issues is a long-term effort due to operational complexity and historical factors. Sustained focus is critical for reducing costs and achieving long-term improvement, as changes related to the three-year WCB premium calculation cycle will not be immediately visible.</p>	2027 - 2030 Budget Cycle