

CITY COUNCIL ORIENTATION

**CORPORATE FOCUS AREA:
SUPPORTING FINANCIAL SUSTAINABILITY**

ITEM 7.1 OCM03242 | November 24, 2025

Agenda

Supporting financial sustainability

- Strong fiscal governance enables a resilient financial position
- Strategic investments improve infrastructure and assets

1. **Corporate Focus Area**
2. **Financial Planning**
3. **Understanding our Fiscal Pressures**
4. **Impacts**
5. **From Issues to Action**
 - **The Path Forward**
 - **Addressing the Fiscal Gap**
6. **Bridging Capital and Operating Budgets**

Supporting Financial Sustainability

Benefits for Edmontonians

- Guarantees that public funds are managed with the highest degree of transparency and accountability.
- Ensures City resources address priorities that are important to Edmontonians.
- Builds confidence that the City is fiscally resilient and prepared for future economic challenges.

Benefits for the Organization

- Establishes an accountability framework for for priority-setting and decision-making, aligning all efforts toward Council's goals.
- Drives operational excellence by requiring efficient use of resources and continuous monitoring against strategic targets.
- Provides the necessary financial oversight and planning to maintain a balanced budget and strong credit rating.

Roles & Responsibilities

Council Governance Perspective

Sets Strategic Direction

Provides Oversight and Accountability

Defines Policy and Funding Frameworks

Focuses on Long-Term Fiscal Planning

Administration Operational Perspective

Executes Strategic Direction

Manages Performance and Reporting

Delivers Financial Stewardship

Ensures Operational Efficiency and Risk Management

Common Objectives Between Council and Administration

Strengthen long-term financial sustainability by ensuring today's decisions support a resilient future.

Align financial resources with strategic priorities to deliver the greatest value to the community.

Deliver efficient and accountable services through ongoing performance measurement and continuous improvement.

Balance renewal and growth investments to maintain reliable infrastructure and manage the total cost of ownership.

Financial Sustainability Outcome

Strong fiscal governance enables a resilient financial position

Services are managed efficiently within annual budgets, and their costs and performance are consistently measured and benchmarked.

Strategic investments improve infrastructure and assets

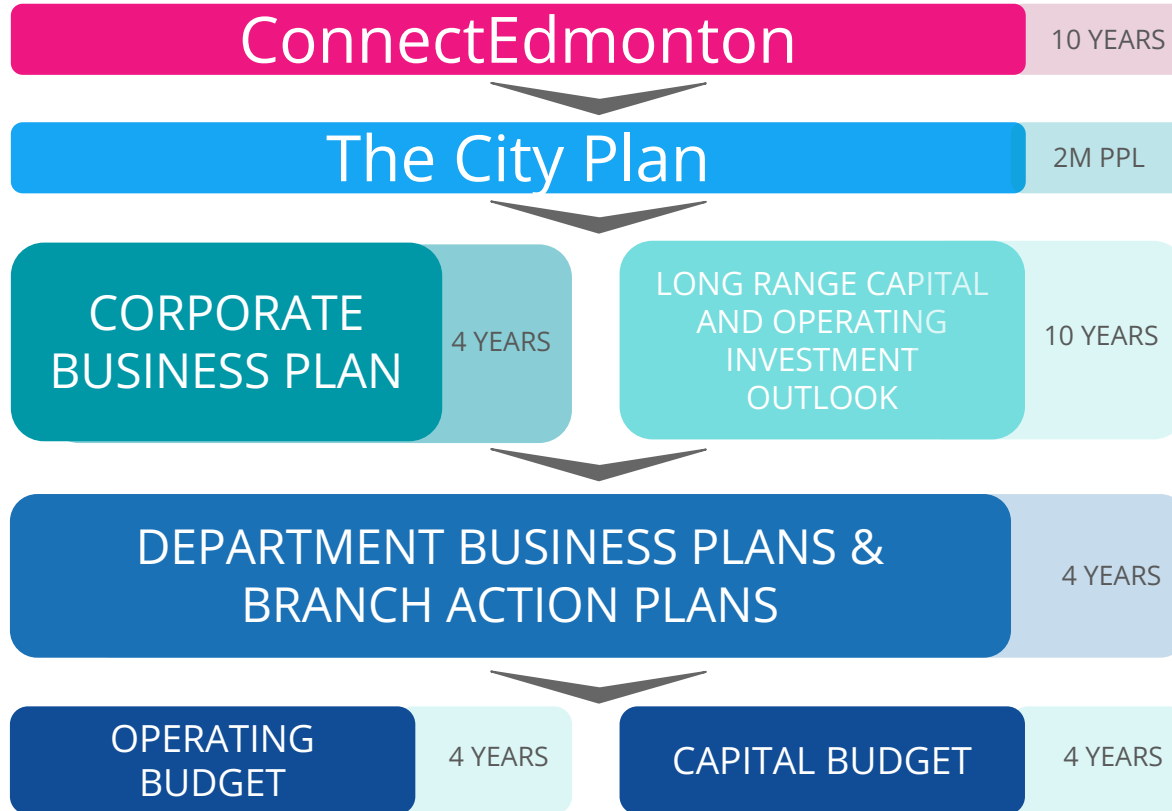
Funding is balanced over four years to address both renewal and growth. The city also ensures reliable service by maintaining the condition of infrastructure and by basing all investments on efficient growth planning that considers the total cost of ownership.

Financial Planning

Financial Sustainability Framework

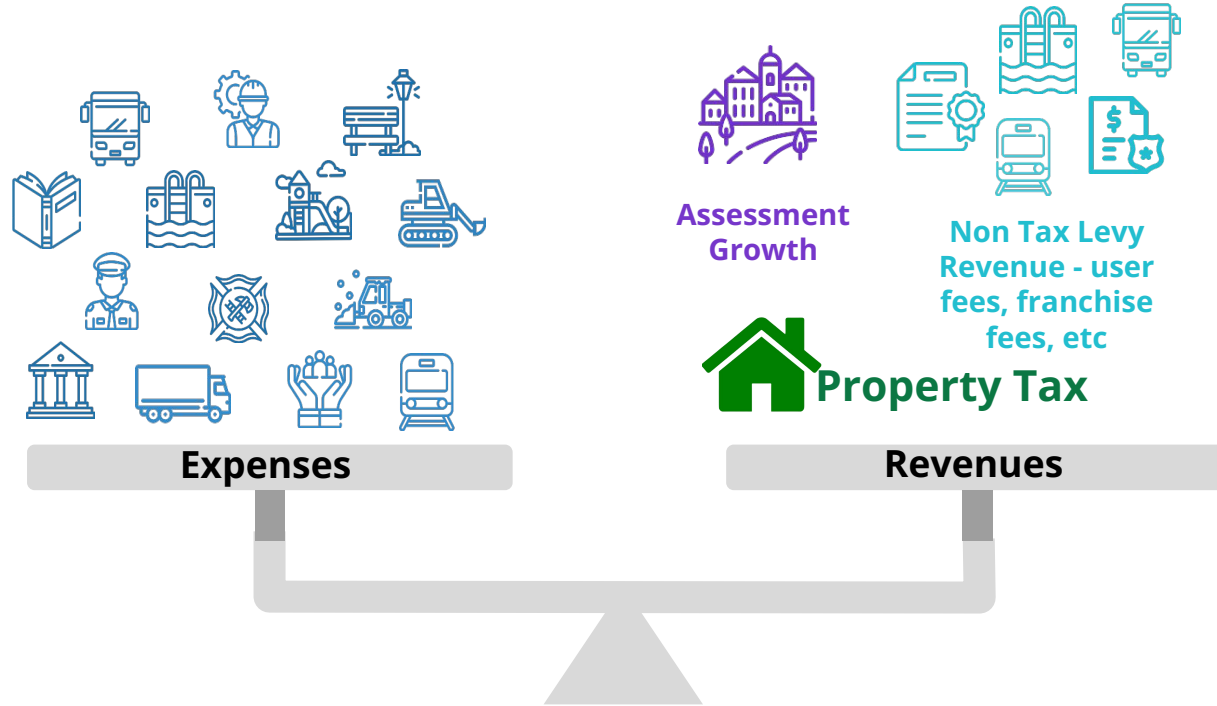
Foundational Elements	1	2	3	4	5
	The City of Edmonton is a judicious steward of all City assets	The City of Edmonton responsibly and prudently manages its financial resources by maintaining a structurally balanced budget	The City of Edmonton has the necessary financial capacity to meet its objectives	The City of Edmonton makes decisions for today that do not compromise its financial health in the future	The City of Edmonton conducts its day-to-day business aligned with core services and its long-term strategic goals
Key Activities	<ul style="list-style-type: none"> • Growth Planning • Capital Investment Outlook • Capital Budget • Investment Governance 	<ul style="list-style-type: none"> • Financial Policies • Operating Investment Outlook • Operating Budget • Core Services • Fiscal Gap Workplan 	<ul style="list-style-type: none"> • Economic Development • Economic Action Plan • Industrial Investment Action Plan • Fiscal Gap Workplan 	<ul style="list-style-type: none"> • Growth Planning • Dedicated Renewal Funding • Carbon Budget 	<ul style="list-style-type: none"> • Corporate Business Plan • Results Based Budgeting • Core Services
Foundational Principles	Transparency: All financial decisions and reporting are transparent and accessible, ensuring citizens 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, ensuring that municipal services and tax burdens are managed in a way that is reasonable and sustainable for residents and businesses.				
	Value for Money: Maximum benefit is obtained from every dollar spent, meaning 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, ensuring 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 benefits, which involves managing the costs, benefits and resources over time to create equity and fairness across generations.				

Budget and Corporate Strategy



Understanding our Fiscal Pressures

The Requirement for a Balanced Budget



Planned expenses must equal planned revenue

Two Approaches to Budgeting

Start with Service Level



Define the Service Level

- People - how many?
- Time - how much?
- Equipment - what pieces?

Budget required to deliver the service defined.

Start with Budget

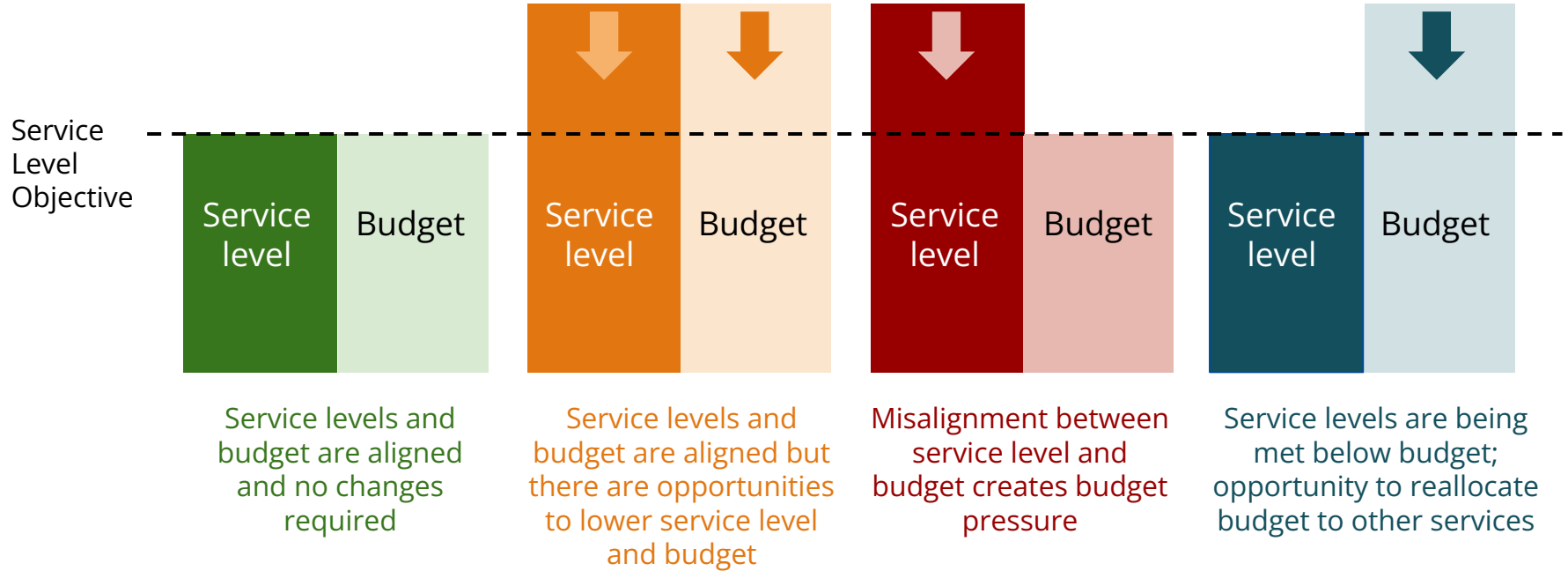


How much \$ do we have?

- People - how many?
- Time - how much?
- Equipment - what pieces?

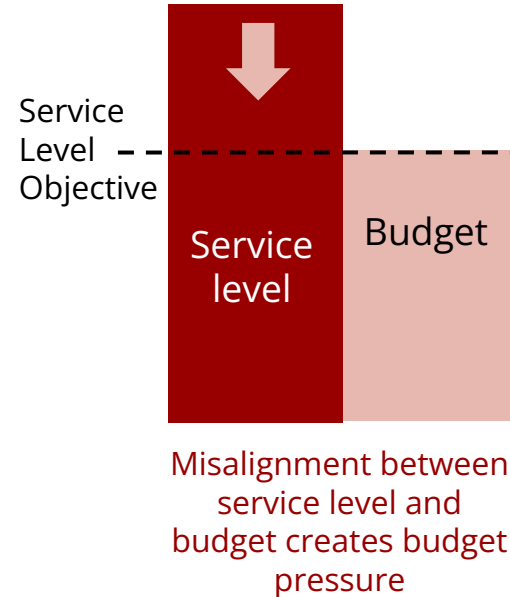
Service level delivered within the defined budget.

Structural Budget Variances



Structural Budget Variances

- Service levels exceeded approved budgets.
- Factors contributing to structural budget variances:
 - Approved service levels without corresponding budget increases.
 - Maintained service levels for growing demand without corresponding budget increases.
 - Fee changes that do not keep pace with inflationary increases.
 - Committed budget reductions/savings that were not achieved.
- Cumulative impact of budget reductions reduced the corporation's ability to offset structural budget variances



Impacts

Funding Structural Budget Variances

Draw from Reserves

- One time solution
- Unsustainable in long term
- Loss of Financial Flexibility

Increase Revenue

- Taxes or fees
- Affordability

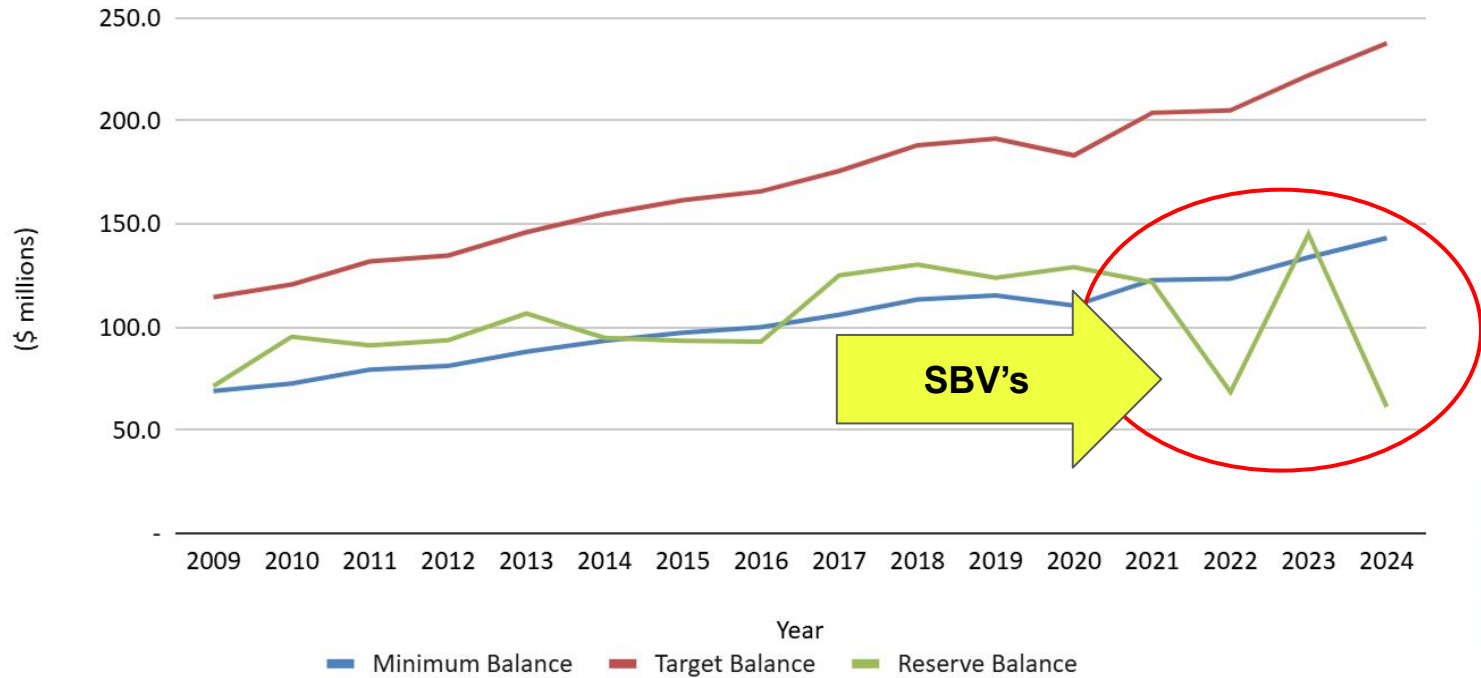
Reduce Services

- Impacts to Edmontonians and staff

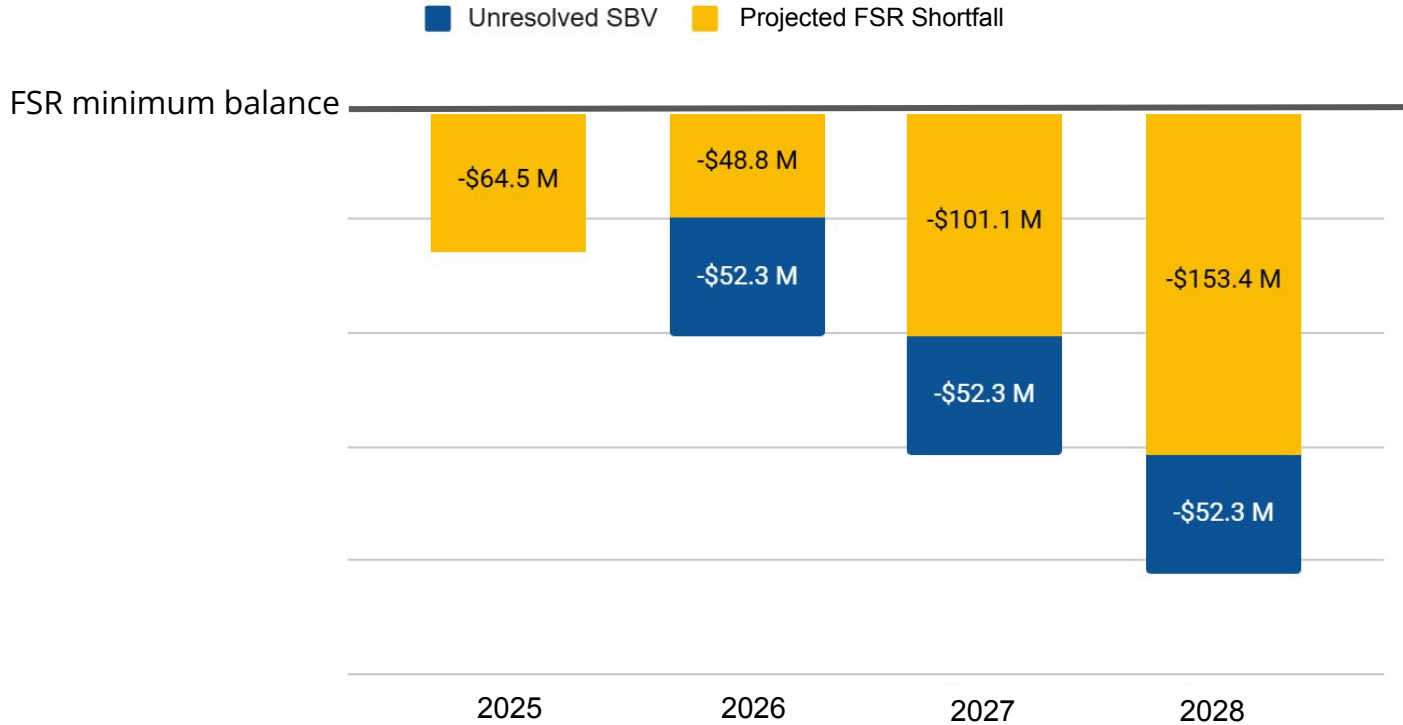
Drawing from the Financial Stabilization (FSR) Reserve

- The FSR is the City's reserve to manage unforeseen one-time expenditures and offset tax-supported budget deficits
- Main funding source is tax-supported surpluses
- Critical financial tool in ensuring the financial sustainability of the City
- Unfunded tax-supported expenditures (i.e. Structural Budget Variances) are depleting the FSR and our ability to manage financial pressures

FSR Compared to Minimum and Target Balances

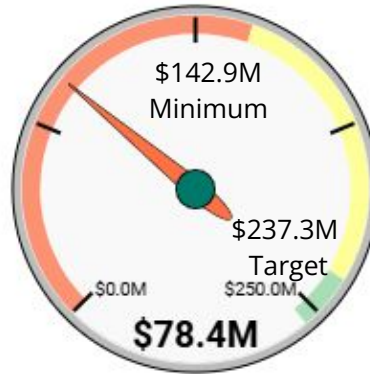


The Impact on the FSR



Q3 2025 FSR Update (\$M)

\$78.4M
Projected (not including surplus)



- Above target balance
- Above minimum balance & below target balance
- Below minimum balance

- Council approved tax increases of 0.5% (2025) and 0.6% (2026) to restore the FSR to its minimum balance by 2029.
- Tax-supported operations must not exceed the approved budget from 2025-2029.
- A tax-supported deficit in any year will impact the FSR repayment strategy:
 - Potential tax increases above what was already approved.
 - Less flexibility for one-time budget pressures.
 - Reduced funding for the Dedicated Renewal Fund.

The path forward

Action Plans to Resolve Structural Budget Variances



Program reviews



Cost of service studies



Exploring methods to increase revenues



Examining service delivery options

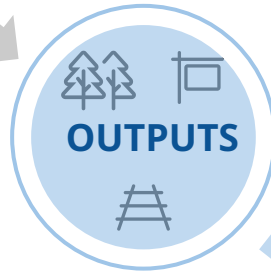


Aligning service levels to budget

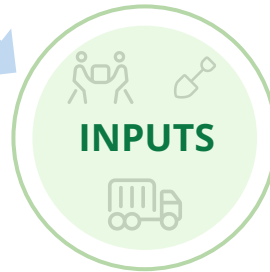
Results Based Planning and Budget



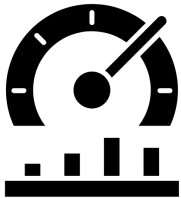
Outcomes identified based on priorities



Outputs to achieve outcomes

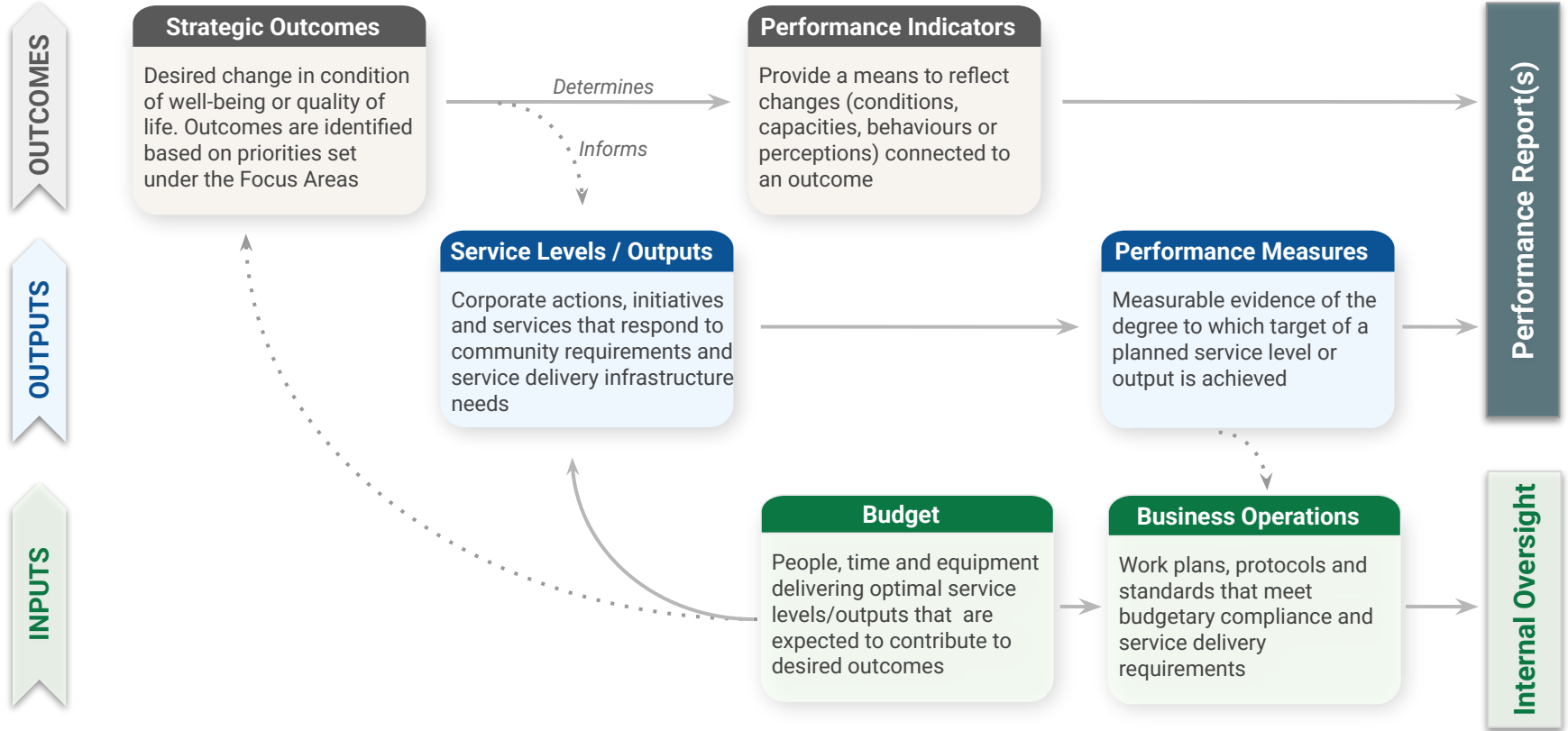


Inputs (resources)
to achieve
outputs



Performance
Measures and
Indicators

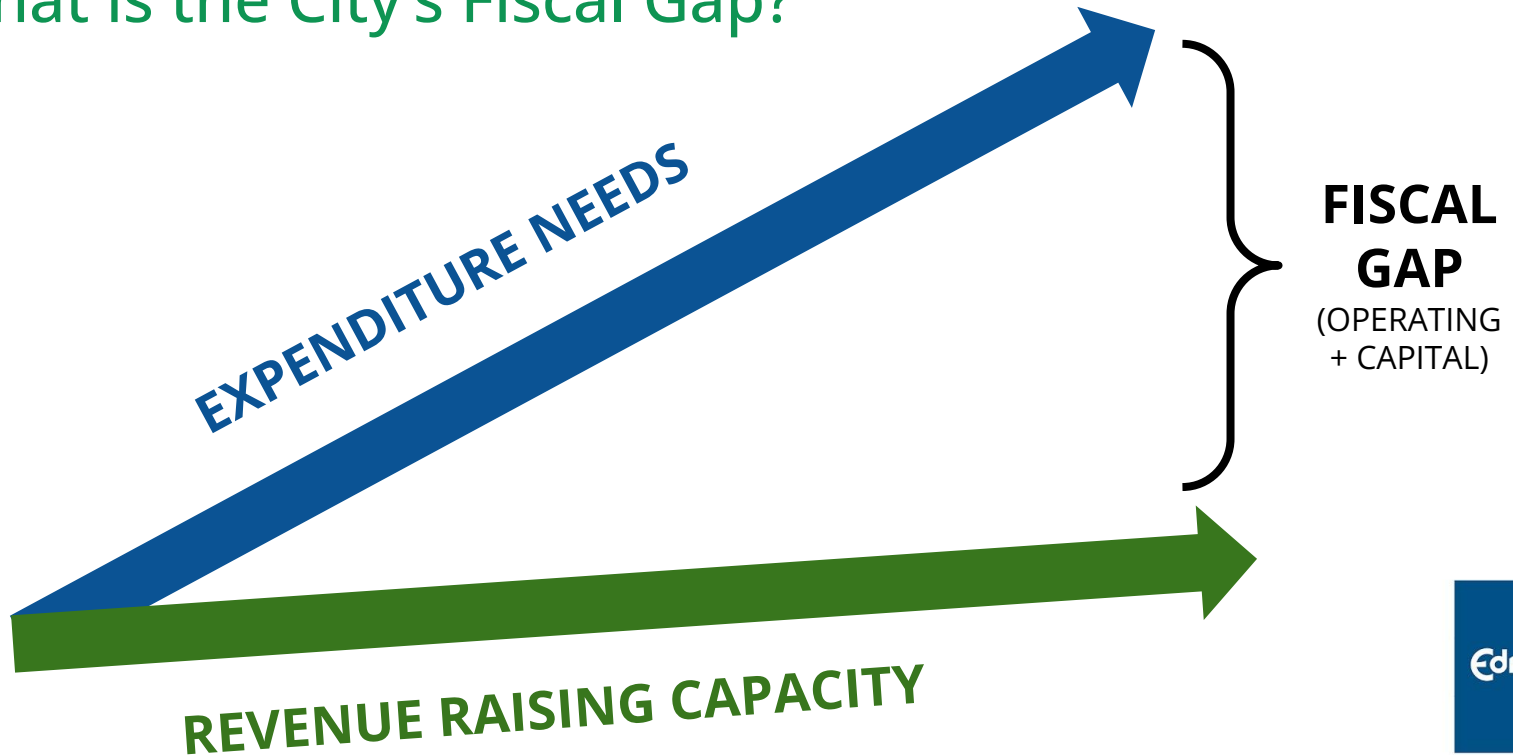
Enterprise Performance Management



Addressing the Fiscal Gap

Fiscal Gap

What is the City's Fiscal Gap?



The Fiscal Gap is Multifaceted

Causes within and beyond City control

WITHIN CITY CONTROL

- City policies
- Ambitious City strategic goals
- Internal decisions and actions
- Insufficient growth of user fee revenue streams
- Infrastructure design requirements
- Relatively high service levels
- Expansive services
- Early engagement on capital projects

PARTIALLY WITHIN CITY CONTROL

- Insufficient growth of non-residential tax base
- Expanded service delivery in non-traditional municipal service areas
- Overemphasis on growth capital

OUTSIDE CITY CONTROL

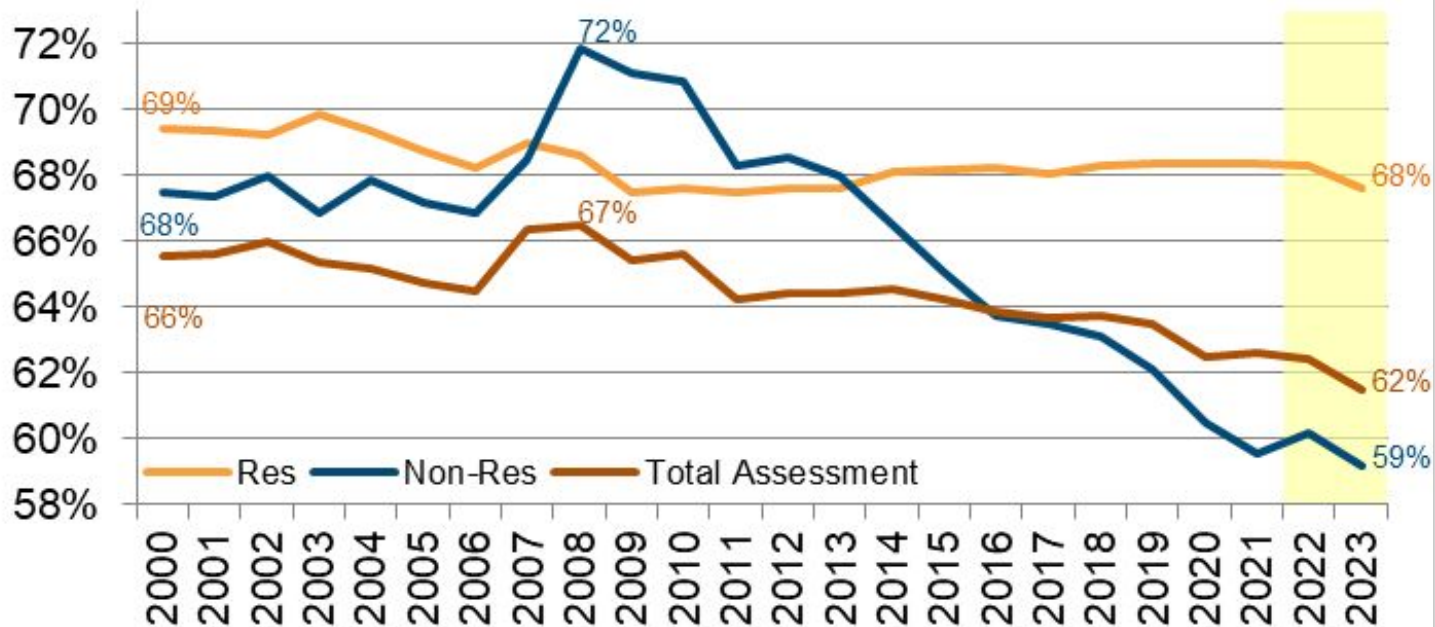
- Decisions of higher-order governments
- Reductions to transfer funding
- Limited revenue raising tools
- Rapid population growth
- Regional demand for City Services
- High inflation post-COVID 19
- Complex policing pressures
- Rise of e-commerce



Fiscal Gap

Non-residential tax base—declining regional share

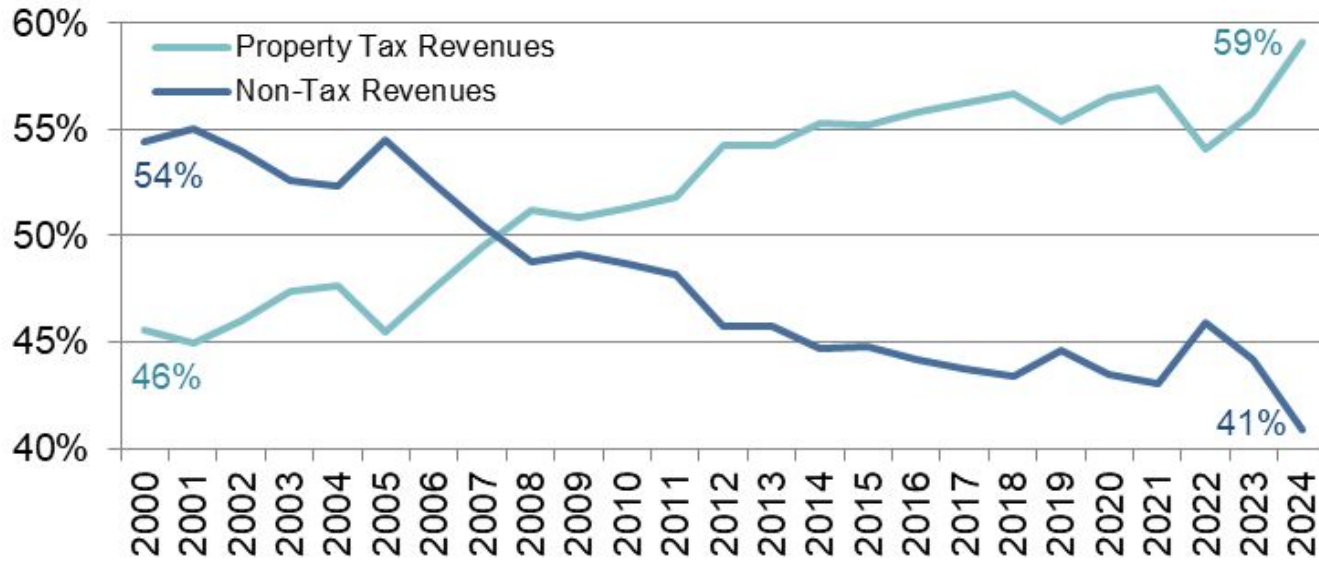
Edmonton assessment as share of total EMRB assessment



Fiscal Gap

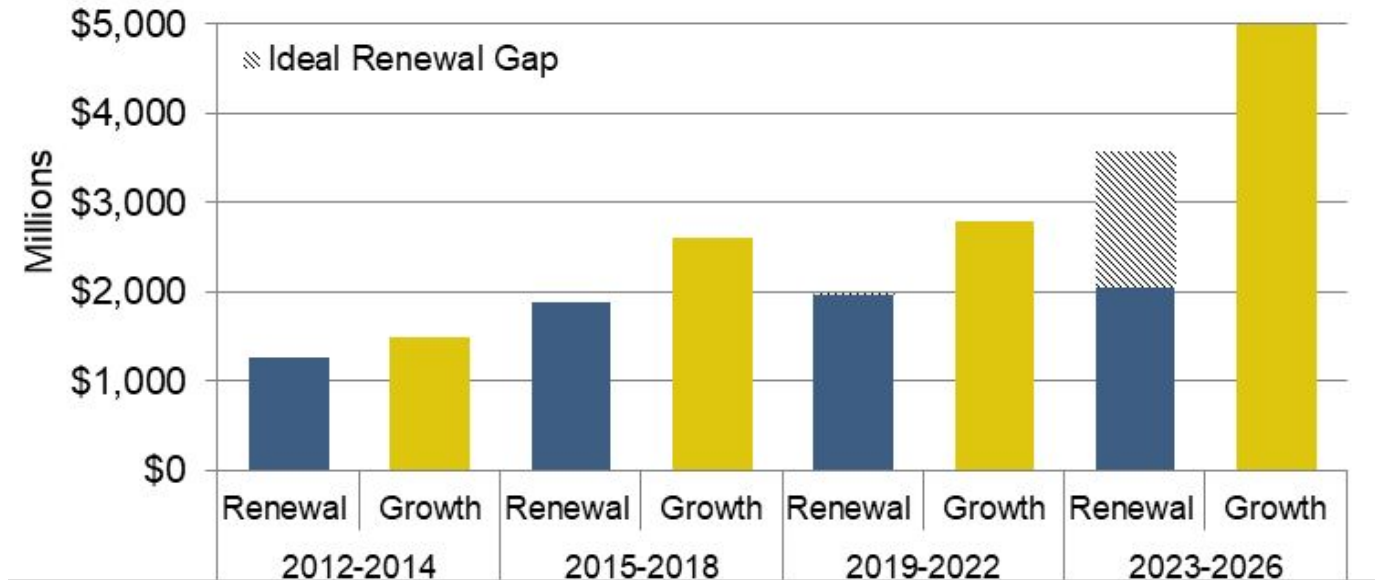
Insufficient growth of non-tax revenues

Property tax & non-tax revenues as a % of operating revenues 2000-2024

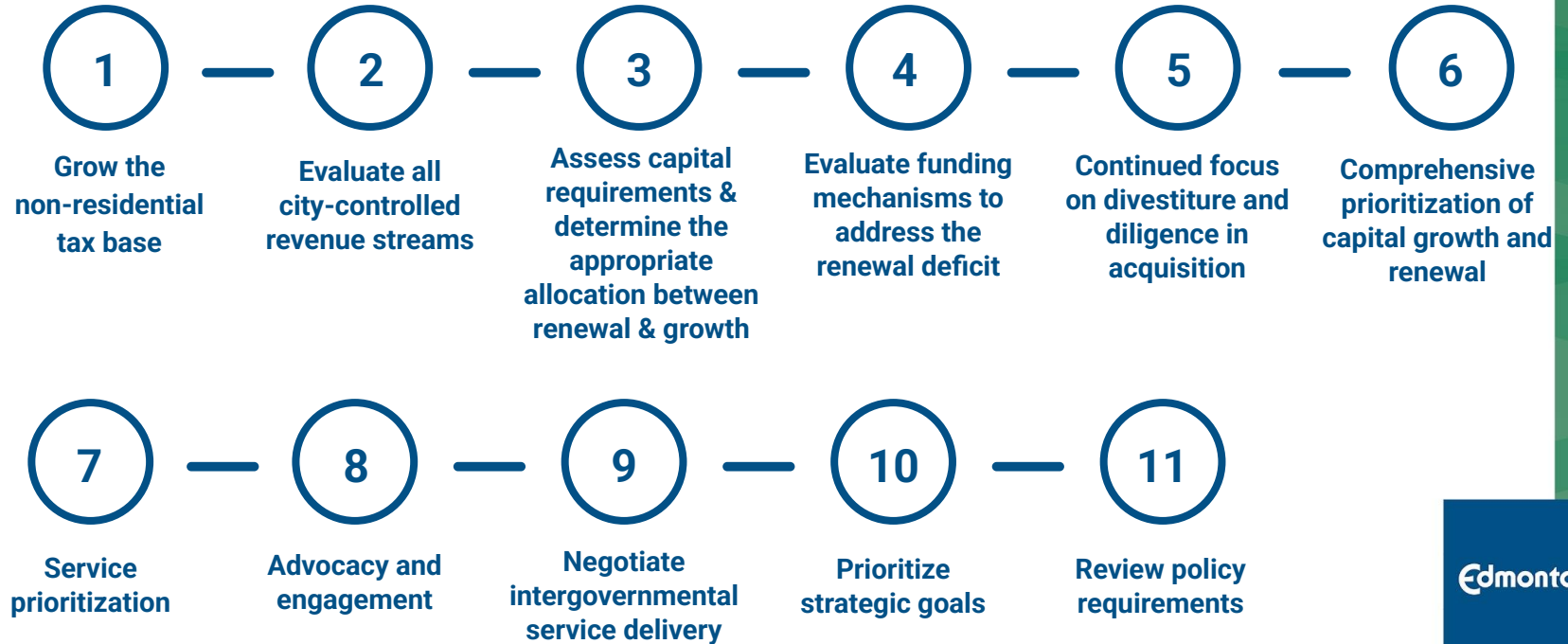


Fiscal Gap





Capital growth is out of balance with renewal Capital Cycle Renewal Gap



Fiscal Gap Workplan



Market Value Redistribution Challenge

Property Type	2010 Distribution	2024 Distribution	Tax Shift
Office 	\$190,262,644	\$140,794,371	-\$49,468,293
Industrial 	\$380,525,382	\$409,064,727	\$28,539,400
Retail 	\$275,880,863	\$292,053,189	\$16,172,326
Other <i>Eg: Accommodation, Land, Gas Stations</i> 	\$104,644,465	\$109,401,032	\$4,756,567

NOTE: Table depicts 2024's Non Residential Tax levy as it was distributed in 2024 and if the same amount were to have been collected in 2010

Growth Patterns



● Residential

● Non-Residential

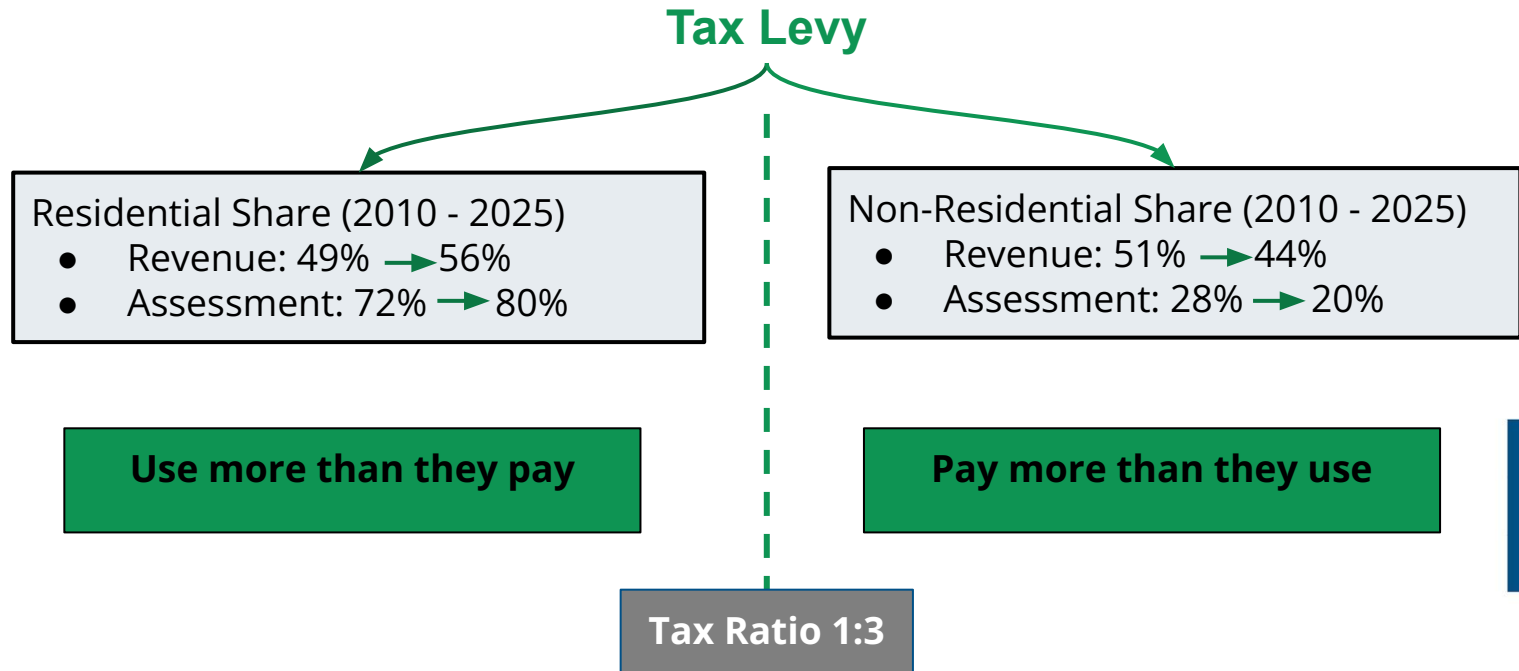
Change In Non-Residential Share Over Time

Year	2005	2010	2015	2020	2025
Levy	51.3%	50.8%	49.2%	46.7%	44.7%
Assessment	23.5%	27.5%	25.9%	23.4%	20.4%

*Does not include CRL areas (0.3% shift)

Distribution Change

2025 Total Tax Revenue: \$2.3B (61% of Operating Revenue)

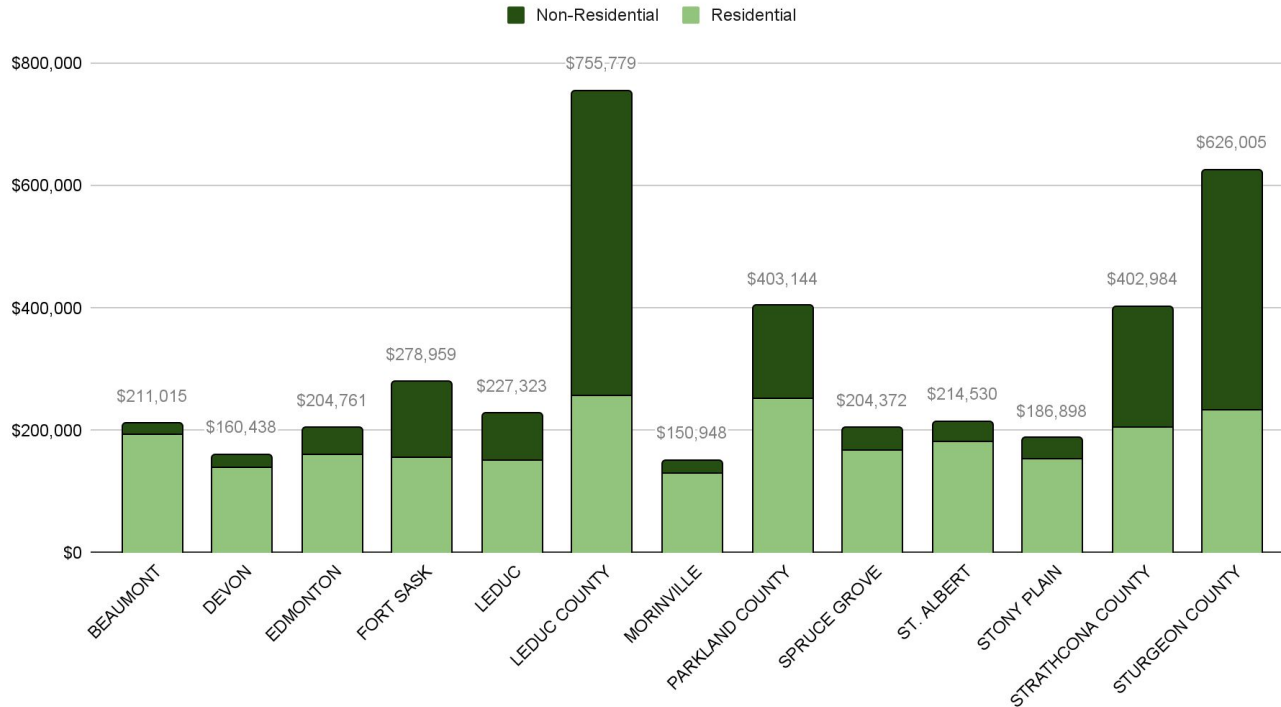


Edmonton Relative to Counties

Population and NR Assessment

Municipality	Regional Share		Non-Residential Assessment	
	Population	NR Assessment	Taxable Base	Per Capita
Edmonton	71.5%	48%	20%	\$40,802
Strathcona County	7.3%	20%	63%	\$195,543
Parkland County	2.3%	5%	37%	\$150,274
Sturgeon County	1.4%	8%	67%	\$391,721
Leduc County	1.0%	7%	49%	\$497,332

Regional Disparity Per Capita Assessment per capita

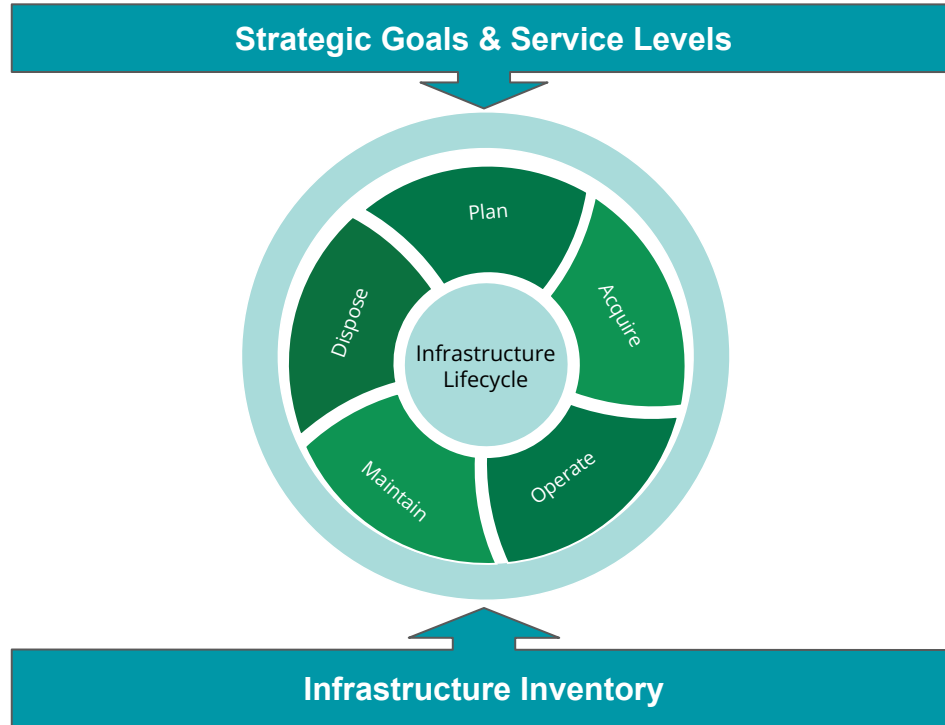


Bridging Capital and Operating Budgets

Asset Management

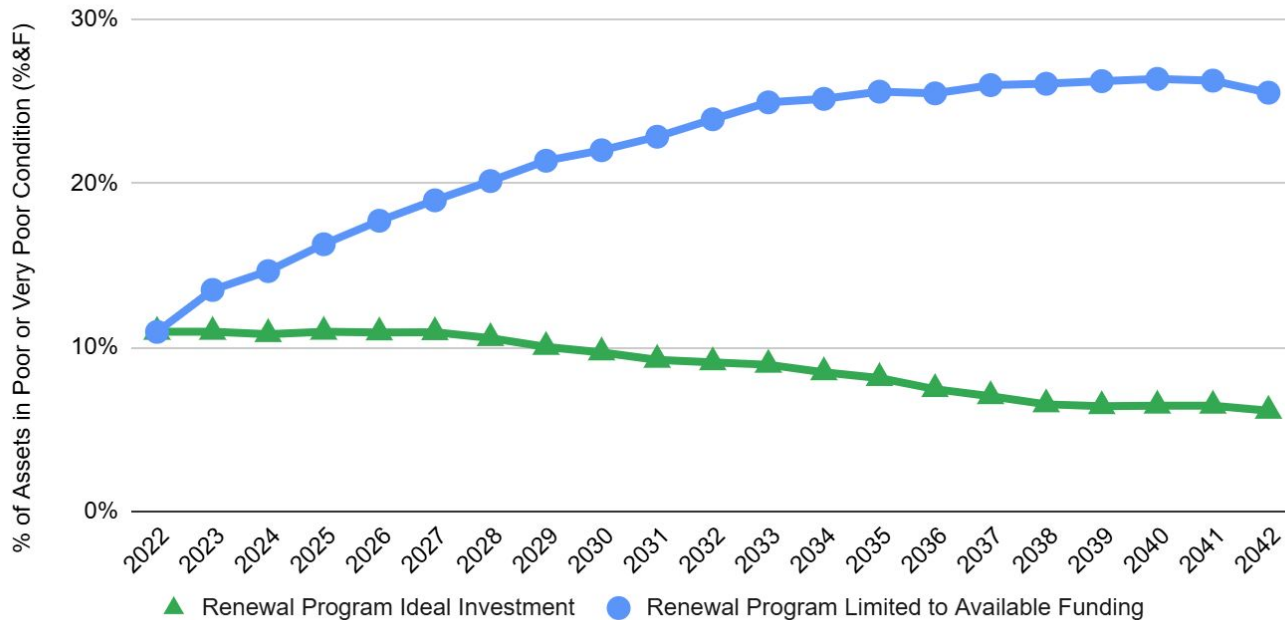


Asset Management



Asset Management

20 Year Comparison of Condition Forecast Between Ideal Renewal Investment and Funded Renewal Investment



Asset Management

Challenges

- Renewal Investment Gap
- Service Levels & Prioritization
- Aging Assets & Condition

Current Actions & Next Steps

- Dedicated Renewal Fund
- Asset Rationalization Framework
- Capital Infrastructure Plan Program
- Infrastructure State & Condition Report
- Capital Investment Outlook

Total Cost of Ownership (TCO)

Project Purpose

To enhance the City's financial sustainability by integrating the full cost of operating and maintaining infrastructure into budget planning and decision-making.

Project Importance

To ensure the City can **afford to keep its assets running** long-term and **avoid unexpected budget shortfalls** by reserving money for future maintenance and replacements now.



Land Management

What • How the City acquires, manages, and disposes of real estate

Why • Optimize City owned land acquisition, management and disposal to achieve Council priorities
• Ensure real estate is leveraged to maximize value to residents

How • Land Management Guidelines 2018
• Real Estate acquired only when needed
• At end of life, real estate is repurposed or sold following a clear, fair, transparent process

What We Need From You

1. What did we miss that you feel is important or other insights you have on this topic?
2. What is important for you to know/what criteria is important for you to support the financial sustainability outcomes?
3. Is there anything we've shared with you today that doesn't align with what you heard during the election?
4. What does success in financial sustainability look like?

Thank you.

Edmonton