

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT

### 2023-2026 Operating Budget

#### Recommendation

1. That adjustments to the 2026 Operating Budget, as outlined in Attachment 1 of the November 24, 2025, Financial and Corporate Services report FCS03158, be approved.
2. That Attachment 4 of the November 24, 2025, Financial and Corporate Services report FCS03158 remain private pursuant to sections 29 (advice from officials), 30 (disclosure harmful to economic and other interests of a public body) and 32 (privileged information) of the *Access to Information Act*.
3. That the creation of the Old Strathcona Public Realm Strategy Reserve, as outlined in Attachment 5 of the November 24, 2025, Financial and Corporate Services report FCS03158, 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.	<b>Healthy City</b>
<b>City Plan Values</b>	BELONG. LIVE. THRIVE. ACCESS. PRESERVE. CREATE.
<b>Corporate Business Plan</b>	Serving Edmontonians
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>● C578A - Multi-year Budgeting Policy</li> <li>● C624 - Fiscal Policy for Revenue Generation</li> <li>● C203D - Debt Management Fiscal Policy</li> <li>● The City Plan</li> </ul>
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>● November 14, 2022, Financial and Corporate Services report FCS01394, Proposed 2023-2026 Operating Budget</li> <li>● April 22, 2025, Financial and Corporate Services report FCS02845 - Spring 2025 Supplemental Operating Budget Adjustment</li> </ul>

### Executive Summary

- The supplemental operating budget adjustment (SOBA) report is part of the City Council approved multi-year approach to setting the 2023-2026 Operating Budget. The original 2023-2026 Operating Budget was approved by City Council in December 2022.
- The Fall 2025 SOBA report provides recommendations for adjustments to the 2026 approved operating budget.
- Adjustments are included in Attachment 1 and are related to changes in economic forecasts, external factors/legislative changes, Council-directed changes and other operating adjustments proposed by Administration.
- The proposed tax increase is 6.4 per cent for 2026, consistent with the increase approved in spring 2025.
- Administration remains committed to managing budget pressures and addressing the structural budget variances, while balancing service delivery, limiting tax increases and maintaining financial sustainability.
- \$13.4 million in structural budget variances have been addressed through budget reallocations from within the corporation in the Fall 2025 SOBA. Combined with \$28.9 million addressed in the Fall 2024 SOBA, \$42.3 million in structural budget variances have been addressed through budget reallocations, with no impact to the tax levy. Action plans have been established to address the remaining \$38.8 million in structural budget variances.
- The financial challenges the City faces are complex and may take several years to address and may involve consideration of service levels in order to balance the provision of service within tolerable tax increases.

### REPORT

The supplemental operating budget adjustment (SOBA) report is part of the City Council approved multi-year approach to setting the 2023-2026 Operating Budget. City Council approved the original 2023-2026 Operating Budget in December 2022<sup>1</sup>. Once the four-year budget has been approved, Council has the opportunity to adjust the budget as part of the supplemental operating budget adjustment process. The Fall SOBA is intended to set the tax change for the remaining budget years in the cycle. The municipal tax levy confirmation that occurs in the spring is meant to finalize the municipal tax levy prior to completion of the taxation bylaw. It is therefore limited to changes in budgetary assumptions and legislation, with the intention of not modifying the tax change approved in fall unless the change is required due to unforeseen circumstances.

As part of the April 22, 2025, Financial and Corporate Services Report, FCS02845 2025 Municipal Tax Levy Confirmation, Council approved the current 6.4 per cent tax increase for 2026. The recommendations in this report maintain the tax increase at 6.4 per cent.

This report is specific to budget adjustments relating to the currently approved 2026 operating budget.

---

<sup>1</sup> [edmonton.ca/sites/default/files/public-files/2023-2026OperatingBudget.pdf?cb=1694702721](https://edmonton.ca/sites/default/files/public-files/2023-2026OperatingBudget.pdf?cb=1694702721)

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

While the City is in a sound financial position, several financial pressures have emerged and remain, including inflation and price volatility. In order to address these pressures, adjustments can be made on the expense side (service level adjustments) and/or the revenue side (property taxes and user fees). The City is limited in its methods to raise revenue to offset these pressures, with property taxes or user fees being the primary options. An increase in revenue, either through property tax or user fees, is required to fund the increasing costs of delivering services to Edmontonians. Without addressing these cost pressures, service reductions will be necessary to minimize tax increases to address and prevent unfavourable structural budget variances that continue to limit financial flexibility. Administration continues to seek a balance between maintaining service levels and keeping property taxes manageable, which is particularly challenging in an environment of high costs for the City and Edmontonians.

The proposed tax levy adjustments for 2026 are a balance of limiting the tax increase on Edmontonians, mitigating service level disruptions and addressing ongoing financial pressures to maintain financial sustainability.

### Economic Outlook

Between 2021 and 2024, Edmonton's population growth accelerated on an annual basis, reaching 5.7 per cent growth between 2023 and 2024, its fastest annual rate since at least 2002.<sup>2</sup> While rapid population growth has supported economic activity in Edmonton, particularly through residential building construction, it has also increased the demand for municipal programs and services. Looking ahead, population growth is forecast to moderate. Edmonton's population is projected to have grown 2.8 per cent between 2024 and 2025, and is expected to see 1.6 per cent growth between 2025 and 2026.<sup>3</sup> While net in-migration will remain a key driver of Edmonton population growth, the City's summer 2025 outlook assumes reduced support from international migration. This projected slowdown is expected to temper demand pressures on City programs and services and will likely impact residential building construction relative to the high levels of activity in 2025.

In recent years, an extended period of elevated consumer inflation combined with higher borrowing costs from interest rate increases intended to combat high inflation have increased financial strain experienced by Edmonton households. On the inflation front, annualized consumer inflation in the Edmonton census metropolitan area (CMA) has moderated, with price inflation remaining below two per cent in both Q2 and Q3 2025.<sup>4</sup> Interest rates have also come down. Looking ahead, CMA consumer price inflation is forecast to average 2.0 per cent in 2025, with support from softer shelter price inflation<sup>5</sup> and weaker than average transportation inflation. In 2026, consumer price inflation is forecast to average 1.8 per cent. Despite these developments, it will likely take some time for any financial strain to dissipate. This leaves the City in a

---

<sup>2</sup> Statistics Canada. Table 17-10-0155-01 Population estimates, July 1, by census subdivision, 2021 boundaries

<sup>3</sup> City of Edmonton and Stokes Economics, summer 2025 economic outlook

<sup>4</sup> Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted. Consumer price inflation is measured by annualized per cent changes in Statistics Canada's Consumer Price Index.

<sup>5</sup> The shelter component of the Consumer Price Index includes rented and owned accommodation, as well as utilities.

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

challenging fiscal position for its operating budget, with increased service demands from a larger population and the limited financial capacity of property owners to absorb increased taxes.

### Structural Budget Variances

Structural budget variances are recurring deficits or surpluses within programs that can be attributed to an event or circumstance that fundamentally changes business operations. Longstanding unfavourable budget variances in programs result when revenue collected falls short of budgeted levels or the actual cost to deliver services at their stated levels exceeds the funding allocated. The City has seen a trend in unfavourable structural budget variances, many of which contributed to tax-supported deficits in both 2023 and 2024. Similar to 2024, these include items such as inflation related to parts and contractor work, lower than budgeted transit fare revenue and on-street construction and maintenance (OSCAM) permit fee revenues and increases in employee overtime costs. The length of time to implement action plans and realize the expenditure reductions will vary, with some taking up to three years. Left unaddressed, recurring unfavourable budget variances can erode the financial sustainability of an organization, as can be seen with the diminishing balance of the Financial Stabilization Reserve (FSR), which is below its minimum balance. To maintain financial sustainability, the City must address budget pressures and growth challenges.

Focused efforts have been made to address structural budget variances through development and implementation of action plans to address the root cause as well as reallocations made through the Fall 2024 and now 2025 SOBAs. The dollar values for these variances are not static, and will change as economic conditions change and action plans are implemented. As of Q3 2025, \$52.3 million<sup>6</sup> in structural budget variances were identified.

Difficult trade-offs must be made to find a balance of addressing structural budget variances through revenue increases and service reductions. Administration has prioritized addressing the more immediate variances as part of the Fall SOBA. \$13.4 million in structural budget variances have been addressed through budget reallocations from within the corporation, denoted by an asterisk (\*) in Attachment 1, with no impact to the tax levy. This leaves \$38.8 million in structural budget issues remaining that will be addressed through specific action plans, which include fee increases, program reviews and adjustments to service levels. Status updates are outlined in Attachment 3 and Attachment 4 (private). Implementation of these actions seek to address changes to actual results by either decreasing expenditure costs or increasing revenue collected, rather than through budget adjustments. The outcomes will be reflected in financial results as actual results become more closely aligned with the approved budget; Council would be notified of progress as part of the quarterly operating financial updates.

---

<sup>6</sup> The slight discrepancy between this total and the sum of identified SBVs (\$13.4 million addressed plus \$38.8 million remaining to be dealt with) is due to rounding.

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

<i>Annual net budget variance \$000s favourable/(unfavourable)</i>	Total Identified (Q3 2025)	Tax Increase Equivalent	Addressed through Fall 2025 SOBA	Left to Address	Tax Increase Equivalent
Inflationary	(2,360)	0.1%	2,360	<b>0</b>	<b>0.0%</b>
Revenue Shortfalls	(17,428)	0.7%	159	<b>(17,269)</b>	<b>0.7%</b>
External Factors	(19,926)	0.8%	6,560	<b>(13,366)</b>	<b>0.6%</b>
Administration or Council Directed	(12,550)	0.5%	4,354	<b>(8,196)</b>	<b>0.3%</b>
<b>Total</b>	<b>(52,264)</b>	<b>2.2%</b>	<b>13,433</b>	<b>(38,831)</b>	<b>1.7%</b>

While some structural variances have been addressed through the Fall SOBA by reallocating funding, it is critical to address the root cause in order to manage and limit future increases. For example, \$2.5 million was added to address the increasing frequency and severity of insured claims. The primary drivers for the budget variance are external factors such as inflation, growth, aging infrastructure, impacts of climate change, legal environment and social and economic conditions, so increased costs may be unavoidable. However, there are mitigating strategies in progress to address the variance in the immediate term (next 12 months). These include reassessment of insurance coverage for various asset classes, adjustment of premium levels for insured participants, enhanced activity / trend reporting and debrief sessions with asset owners for further loss prevention measures. This is one example of the ongoing improvement that occurs across the organization to deliver services amidst evolving factors and new challenges.

As social, political and financial conditions are constantly evolving, Administration will continue to monitor and adjust strategies as necessary. As financial pressures arise, Administration first seeks to mitigate impacts by finding efficiencies elsewhere or by adjusting the way services are delivered to enhance efficiency. Administration will continue to mitigate budget challenges while implementing the action plans required to address the structural budget variances identified, alongside balancing service delivery, limiting tax increases and maintaining financial sustainability.

Addressing structural budget variances is a priority for Administration. This is reflected in many of the adjustments included in the Fall 2025 Supplemental Operating Adjustment.

### Recommended 2026 Operating Budget Adjustments

Guided by City Policy C578A - Multi-year Budgeting Policy, adjustments to the 2026 budget are categorized as follows:

- **Changes to Economic Forecast:** includes adjustments that affect costs, changes in service demand volumes or revenue projections.
- **External Factors/Changes in Legislation:** allows the City to respond to external factors such as provincial or federal budgets or changes imposed by legislation.
- **Council-directed Changes:** addresses changes directed through Council motion.

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

- **Impacts Managed Internally:** addresses structural budget variances while limiting the tax levy increase.
- **Administrative Adjustments:** includes adjustments that do not impact the overall tax levy but require Council approval.

Changes are also allowed for urgent budget pressures that need to be addressed during the budget cycle.

Budget adjustments for 2026 are itemized in Attachment 1, 2026 Operating Budget Changes, on an incremental basis and discussed below. These adjustments are incorporated into the financial tables in Attachment 2.

### Changes to Economic Forecasts

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

#### Corporate Expenditures and Revenues

- Ongoing increase of \$23.2 million in 2026 in tax levy revenue for changes in assessment growth.
- Ongoing increase in EPCOR Power franchise fee revenues of \$5.6 million in 2026 based on revised forecasts provided by EPCOR.
- Ongoing increase of \$5.0 million in 2026 in revenue for the EPCOR Dividend.
- Ongoing increase of \$4.5 million in 2026 in revenue for changes in supplementary tax assessment revenue.
- Ongoing increase of \$3.6 million in 2026 in revenue for changes in tax penalty revenue.
- Ongoing increase in EPCOR Water franchise fee revenues of \$2.8 million in 2026 based on revised forecasts provided by EPCOR.
- Ongoing increase in Business Licensing revenues of \$2.4 million in 2026 based on revised forecasts. This is offset by an ongoing increase in Business Licensing expenses of \$0.2 million in 2026 in Development Services.
- Ongoing increase in ATCO Gas franchise fee revenues of \$0.7 million in 2026 based on revised forecasts provided by ATCO.
- Ongoing increase of \$4.7 million in 2026 in revenue based on updated forecasts of investment earnings. The increased investment earnings are transferred to the Pay-As-You-Go Financing reserve.
- One-time increase of \$12.5 million in 2026 in revenue from the one-time Ed Tel special dividend. Pursuant to Bylaw 11713, The Ed Tel Endowment Fund is eligible to pay a special dividend when the fund's market value, as of June 30 of the preceding year, exceeds the inflation-adjusted principal by more than 15 per cent. This condition was met as of June 30, 2024, thereby making a special dividend available for the 2026 budget. Typically, the City utilizes the special dividend to finance capital projects, aligning with the budgetary strategy to reallocate investment earnings to capital expenditures. However, given that the Financial Stabilization Reserve (FSR) is currently below its mandated minimum balance, Administration recommends transferring the special dividend to the FSR to assist in restoring it closer to the minimum threshold.

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

- Ongoing decrease in transfer to the Revolving Industrial Servicing Fund Reserve of \$2.7 million as the program is complete and there are sufficient funds available in the reserve for the remaining payments.
- Ongoing decrease of \$1.9 million in 2026 in expenses for changes in Valley Line debt based on a correction to the forecast.

### Development Services

- Ongoing increase of \$2.6 million in 2026 in revenue for the Planning and Development Business Model. This adjustment increases the revenue budget based on an updated forecast of development activity volume, with the difference being adjusted through the transfer to/from the Planning and Development Reserve, so there is no impact to tax levy for this adjustment.

### Fleet and Facility Services

- An economic adjustment of \$2.1 million is required for corporate-wide inflationary impacts for parts, materials and contract work. These critical services are housed in the City Operations department under the Fleet and Facility Services branch, which coordinates these services on behalf of the corporation, resulting in a direct impact on numerous frontline operations across the organization including emergency services, transit, community recreation centres, snow and ice control and spring sweep. These inflationary increases cannot be absorbed within the existing budget. Without adequate funding:
  - a. there would be imminent grounding of some fleet, including a significant impact to transit;
  - b. existing legislated and scheduled preventative maintenance levels could not be sustained, leading to imminent and significant service disruptions; and
  - c. critical regulatory standards would not be met, compromising safety and operational integrity of some facilities and infrastructure assets.

### **External Factors/Changes to Legislation**

The following adjustments are a result of external factors or changes in legislation:

- In March 2023, the Government of Alberta mandated the use of Body Worn Video and Digital Evidence Management System. Edmonton Police Service (EPS) implemented a proof of concept from July 2023 to March 2024 and subsequently followed with operational deployment. To be fully compliant with the provincial mandate, an ongoing increase to EPS is required, with an increase to expenses of \$9.2 million in 2026, and incremental increases of \$2.4 million in 2027, and \$0.9 million in 2028, offset by a one-time provincial grant of \$2.3 million in each of 2026 and 2027. The EPS funding formula is not intended to provide funding to address significant changes in legislation, therefore EPS is able to put forward this service package as per clause 7a of Council Policy C604B - Edmonton Police Service Funding Formula. This will result in an ongoing increase to EPS of \$6.9 million in 2026, and incremental increase of \$2.4 million in 2027 and \$3.2 million in 2028.

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

- An ongoing increase to EPS of \$6.2 million in 2026, required as a result of Council Policy C604B. The total funding formula allocation for 2026 is \$17.1 million, which is comprised of two components:
  1. the 2026 funding formula allocation, calculated to be \$9.5 million; and
  2. the two year true up, calculated to be \$7.7 million. This marks the first year that the two-year true-up, as per clause 9 of Council Policy C604B, will be applied. The true-up recalculates the funding formula for the prior two years using actual non-personnel and population results. The significant increase is primarily due to the substantial difference between the actual 2024 population growth (5.73 per cent) and the 2024 calculation's estimate (2.41 per cent).

The ratio to civic department expenditures is 29.8 per cent for 2026; this is under the 30 per cent cap set through the policy. The EPS funding formula will be recalculated as part of every fall SOBA. Prior to finalizing the 2026 tax levy in the Fall 2025 SOBA, the funding formula will be recalculated to incorporate any amendments to civic departments that may impact the 30 per cent ratio.

- An ongoing adjustment for insurance claims and settlement that increases the budget by \$2.5 million in 2026. The budget variance is primarily driven by external factors such as growth and inflation. Insured claims continue to increase in frequency and severity, with the top exposures being: (i) damages and repairs to City's assets, driven by asset base growth, inflation, aging infrastructure, climate change and vandalism; and (ii) legal settlements for third-party claims against the City, driven by growth, inflation, higher injury settlements from recent court decisions and the legal environment. Efforts continue to manage claims and settlement increases through robust claims handling practices. Strategies in progress to address the variance in the immediate term (next 12 months) include a risk-based reassessment of insurance coverage for various asset classes, enhanced activity/trend reporting and debrief sessions with asset owners to inform further loss prevention where possible.
- An ongoing adjustment for Workers' Compensation Board (WCB) premiums that increases the budget by \$1.5 million in 2026. The City of Edmonton's WCB premiums continue to increase year over year as the industry rate has gradually been increasing and the City has more lost time claims, longer duration of injuries and less modified work offerings, resulting 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. The WCB Evaluation Project concluded on May 26, 2025, identifying systemic gaps in the City's injury management policies and practices that contribute to WCB premiums and, consequently, a budget variance. The project delivered 10 recommendations to address these gaps. A dedicated Phase Two project will build on these findings by developing and standardizing enterprise-wide processes, enhancing training and improving data performance.
- An ongoing adjustment to the Office of Emergency Management due to legislative changes to the *Public Safety and Emergency Services Statutes Amendment Act (Bill 49)* and Emergency Social

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

Services Framework that increases the budget by \$0.9 million in 2026. Bill 49, which came into force on May 15, 2025, introduced new requirements for municipal emergency preparedness and response. Related to preparedness, municipal emergency plans must now include mitigation plans and evacuation plans, with the former anchored in a new Hazard Identification and Risk Assessment methodology<sup>7</sup> released to local authorities in 2025. Related to response, the updated Emergency Social Services framework clarifies the municipal responsibilities for coordinating support for Edmontonians displaced by local emergencies and, when directed through requests for assistance, providing aid to displaced people for other communities and provinces. Combined, these legislated changes introduced more extensive planning obligations for the Office of Emergency Management, while day-to-day operational pressures also continue to increase with the City's growing population and evolving hazard profile.

- An ongoing adjustment for insurance premiums that increases the budget by \$0.5 million in 2026, with an increase to expenses of \$1.0 million, offset by premium recoveries of \$0.5 million. The City has a robust insurance coverage with cost effective rates compared to public sector benchmarks. Despite implementation of a number of significant cost avoidance measures, the cost of premiums is being driven up by continued growth, inflationary pressures and market conditions along with required coverage adjustments to mitigate higher exposures, such as property and cybersecurity. Right sizing of the insurance program continued in 2025, including work to refine valuation methodologies for City's assets, adjustment of premium allocation amongst insured participants, making risk-informed insurance decisions, effective brokering services to obtain cost effective rates and continued work with the departments on further loss prevention initiatives that are important to sustain the City's insurability and favourable rates.
- An ongoing adjustment for enhanced transit communications network software that increases the budget by \$0.2 million in 2026. This will allow an initial five-year enterprise agreement for licensing, support, and maintenance.
- A one-time adjustment to reflect a temporary reduction to the Local Authorities Pension Plan (LAPP) contribution rate in 2026 that decreases expenses by \$9.5 million, fully offset by a transfer of \$9.5 million to the FSR to help restore it to the minimum threshold. On October 21, 2025, LAPP announced that for 2026 only, contribution rates will drop by approximately 1 per cent for both members and employers. There is no resulting impact to the tax levy.
- An ongoing increase to expenses of \$0.2 million, and a one-time 2026 increase to expenses of \$0.1 million, offset by funds held in financial strategies, due to increased stormwater charges to the Edmonton Federation of Community Leagues. In the June 24, 2024, EPCOR Water Services report EXT02464, EPCOR Water Services - 2025-2027 Performance Based Regulation Application - Stormwater Update, EPCOR advised it would be implementing phased billing for customers currently unbilled but using EPCOR's stormwater services. The City provided an

---

<sup>7</sup> The updated Hazard Identification and Risk Assessment methodology is the recommended standard for communities, the Government of Alberta, its partners, and stakeholders to evaluate and mitigate their shared disaster risk landscape (Provincial Hazard Identification and Risk Assessment Guide, 2024).

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

increase in funding through the Community League Operating Grant to offset the estimated stormwater costs during the Fall 2024 SOBA. This adjustment is a further increase to reflect the latest estimates provided by EPCOR to be charged to and paid by the individual community leagues.

### Council Directed

The Old Strathcona Public Realm Strategy (October 8, 2024, Urban Planning and Economy report UPE02353) is a long-term plan for expanded sidewalks, new parks and other public spaces. On April 8, 2025, the following motion was passed by City Council:

- That Administration establish a reserve fund to dedicate net parking revenues from the ePark lot situated in Plan I, Block K (11 Tommy Banks Way NW) to support design and/or construction of amenities identified in the Old Strathcona Public Realm Strategy, as outlined in the April 1, 2025, Urban Planning and Economy report UPE02727.

At that meeting, Administration noted in order for the reserve to be established a report would have to be brought forward to Council explaining the purpose of the reserve, the nature of funds to be transferred to the reserve, the permitted uses of the funds from the reserve and a long term financial forecast of the reserve to ensure its financial sustainability. This is common practice when establishing a new reserve that requires Council approval. Attachment 5 includes these details pertinent for Council's consideration prior to approval of the reserve.

If the reserve is approved by Council, net parking revenues, after considering annual operating and program costs will be transferred to the reserve. For 2026, the net parking revenues and offsetting transfer to the reserve would be \$0.4 million.

### Adjustments to Operating Impacts of Capital

Previously approved operating impacts of capital are reassessed based on updated construction timelines. Notable additions to the budget include:

- An ongoing increase to expenses of \$0.5 million, and \$0.1 million one-time for the 103A Ave and 99 Street Pedway to Community Standards, Edmonton Transit Service, and Fleet and Facility Services. The scheduled opening is in Q3 2026. Funding includes maintenance, custodial, peace officers, security cameras and help phones.
- An ongoing increase to expenses of \$2.1 million to Parks and Roads Services. This mainly consists of:
  - a. \$0.6 million for O-day'min Park (formerly Warehouse Park Project) completed in 2025. Assets being added include a washroom, trees, shrubs and pathway upgrades.
  - b. \$0.5 million for renewal of the Beaver Hills / Michael Phair Park that is being completed in 2025. Assets being added include a washroom, trees and shrubs.
  - c. \$0.4 million for renewal of Mary Burlie Park that is being completed in 2026. Assets being added include a washroom, concrete paving, walkways and site furniture.
  - d. \$0.2 million for the replacement of sidewalks with shared use paths in the neighbourhood of Gariepy that is being completed in 2025.

### Impacts Managed Internally

Administration remains focused on addressing structural budget variances (SBVs) to support financial sustainability. Administration prioritized SBVs that require additional budget as well as completed a reallocation exercise across the organization to limit the tax increase. While most adjustments individually do not have a significant financial impact, the cumulative impact is intended to balance the trade off between minimizing service level disruptions, addressing structural budget variances and improving ongoing financial sustainability, and limiting the tax increase.

Notable additions to the budget include:

- \$2.1 million ongoing adjustment starting in 2026 for Fleet and Facility Services to address structural budget variances related to vandalism. City assets have seen a significant increase in vandalism-related costs and increased social disorder in public places. Facility Management Services recovers all vandalism related costs from other branches, but graffiti and vandalism services related to City owned facilities are unbudgeted across the City. Vandalised property requires extensive repairs (broken glass, infrastructure damage, custodial work, graffiti removal). This results in increased contract work, unexpected service calls and heightened demands for additional cleaning. Work is underway to explore alternative delivery and partnerships, as each area has different plans to resolve concerns based on the nature of the vandalism experienced. A new initiative aims to address graffiti with all the relevant partners and determine the best path forward, both in terms of efficiency and budget savings.
- \$1.1 million ongoing adjustment starting in 2026 for Parks and Roads Services to address structural budget variances related to leased equipment used in the Spring Sweep Program. As part of a Fall 2020 SOBA exercise, the branch budget was reduced, with the shortfall allocated to leased equipment. Actual lease costs are in a projected deficit, and contractor expenses have continued to increase since 2020 due to inflation. Work is underway to reevaluate roadway inventory being swept for Spring Sweep, reallocate resources from other sweeping programs to meet Spring Sweep Program service levels and explore impacts of changes to current resourcing model.
- \$1.0 million ongoing adjustment starting in 2026 for Community Standards to address structural budget variances related to Animal Care and Control Centre services and supplies. Since the assumption of *Animal Protection Act* enforcement services in 2019, the required level of care has increased significantly. Service demand has risen dramatically along with population growth and the cost of services and supplies has increased significantly in recent years, in part due to a shortage of veterinarians. Additionally, the costs of animal medical supplies and veterinary medical services continue to rise. Several options are being explored to resolve the variance, including other department revenue streams and a review of service levels and request prioritization.

Ongoing reductions are recommended to help manage structural budget variances and limit tax increases, with the additional goal of minimizing changes to service levels or impacts on Edmontonians. These recommendations, totalling \$1.9 million, are put forward with an

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

understanding that the current financial reality necessitates difficult decisions. Notable recommendations for ongoing reductions include:

- Reduction of \$0.4 million ongoing to the Anti-Racism - High Level Office/Independent Body subsidy. This funding can be reduced without a material impact to the overall program.
- Reduction of \$0.4 million ongoing for the Corporate Integrated Data Solution program, as less funding is required than initially anticipated.

Refer to Attachment 1 for the list of impacts managed internally and Attachment 4, which outlines the impacts to be discussed in private.

### Administrative Adjustments Requiring Council Approval

The following administrative budget adjustments require City Council approval due to the dollar amounts being greater than \$5 million. 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 levy increase.

- The Sanitary Servicing Strategy Fund is a funding program established for the construction of trunk sewers servicing new development and growth in the City for the next 40 years. It is funded by fees collected by the City from builders and developers. This is done in advance of the sewer trunks being built to ensure financing for trunk construction is in place when it is needed. Projects constructed under this strategy are development driven and funded through Expansion Assessment, Sanitary Sewer Trunk Charge, Sanitary Utility Contribution and interest earned on the fund balance. The Sanitary Servicing Strategy Fund Transformation Project is currently underway. The project's objective is to review the current financing structure for large sanitary trunks in consideration of EPCOR's integrated resource planning approach and The City Plan's development growth patterns. Fees have been paused for the duration of the project. The budget for 2026 is being adjusted to reflect increased expenditures of \$17.2 million for sanitary sewer trunk expenditures, with an offsetting increased transfer from the reserve to fund those costs. It will result in no impact on the tax levy. This is mainly due to a significant unfavourable impact from pausing Sanitary Servicing Strategy Fund charges, as well as increasing expenditures due to the change in the timing of major projects by EPCOR.
- The Municipal Reserve is fully funded by developers' contribution to Funds-in-lieu and Parkland Purchase Reserves under the *Municipal Government Act*, s. 671(4). The revenue budget is being reduced by \$1.1 million due to lower projected collections from Funds-in-lieu and Parkland Purchase development levies, fully offset by lower transfers to the Funds-in-lieu Reserve and Parkland Purchase Reserve.
- Administration suggests a multi-year phase-out and closure of the LRT Reserve. With the Valley Line South East operational and funding stable, the reserve is no longer needed to cover timing differences between VLSE expenses and dedicated tax-levy revenues to fund those expenses. Administration proposes budget adjustments to cease tax-levy transfers to and from the reserve. The current tax levy funding for the reserve will be kept in the general

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

tax levy to fund Valley Line South East operating expenses across relevant branches. Additionally, a portion of the funding originally directed to the reserve will be used to cover ongoing VLSE LRT operating expense increases in Parks and Road Services and Edmonton Transit Services, plus increased funding for Financial Strategies to manage future budget pressures. Attachment 6 provides further details.

### Other Adjustments (for Information)

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

- The Edmonton Police Association reached settlement for the four-year term commencing on December 17, 2023 and ending on December 26, 2027. This resulted in a \$1.7 million increase in corresponding expenditures, offset by secondment revenue (primarily Alberta Law Enforcement Response Teams), therefore has no resulting impact to the tax levy.
- The Edmonton Public School Board participation in the School Resource Officer program commenced in February 2025. The \$1.3 million increase in revenue from Edmonton Public School Board is offset by the corresponding expenditures, therefore has no resulting impact to the tax levy.
- EPS received a provincial grant for a Civil Forfeiture Liaison with a grant term of March 1, 2025 – February 28, 2028. Budgeted expenditures will increase by a total of \$0.5 million over the grant term, offset by the corresponding revenues with no impact to tax levy.
- Police Seized Vehicle Lot increased its administration fees for the generation and delivery of letters to registered owners and vehicle lien check/processing. The rate increase results in a \$0.1 million increase in revenue, offset by corresponding expenses with no resulting impact to the tax levy.

### Financial Stabilization Reserve Repayment Plan

The FSR is currently below its minimum mandated policy threshold, compromising its intended function as a critical safeguard against unforeseen incidents that have financial impacts. This state of deficiency severely restricts the City's ability to respond to emergencies, manage economic downturns or execute strategic one-time investments. As part of the Fall 2024 SOBA, Council approved the FSR repayment plan, which resulted in a 0.5 per cent tax increase for 2025 and 0.6 per cent for 2026 to reach the minimum target balance by 2029. Administration continues to monitor the FSR balance and repayment plan. Based on the September 30, 2025 forecast, the projected year end balance of the FSR, before considering the projected year-end surplus and carryforwards, is \$78.4 million, which is below its minimum balance of \$142.9 million for 2025. Unresolved structural budget variances further deplete the FSR annually. As Administration continues to address the structural budget variances currently estimated at \$52.3 million (as of Q3), the actual FSR replenishment amount may fluctuate depending on the speed and success of the action plans and other unforeseen circumstances. This may require future adjustments to the tax levy contributions in subsequent years.

In addition to prioritizing addressing structural budget variances to help maintain financial sustainability, restoring the FSR to its minimum balance is a necessity. As such, available one-time funding has been transferred to the FSR as part of the Fall 2025 SOBA. Based on the current

## **FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget**

year-end projected financial position and proposed one-time transfers in the Fall 2025 SOBA, the FSR could be paid back in 2028 if subsequent years remain on budget. This is one year earlier than anticipated when the FSR repayment plan was approved. After the FSR is restored to the minimum balance, tax levy funds that were allocated towards repayment will be directed to the Dedicated Renewal Fund. This would result in \$24.7 million directed to the Dedicated Renewal Fund beginning in 2028 instead of 2029.

### **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 time 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. The net impact to financial strategies as a result of adjustments in the Fall 2025 SOBA is an increase of \$24.8 million in 2026.

### **Municipal Enterprises Adjustments**

Blatchford Redevelopment Project and Land Enterprise budgets are being adjusted to reflect shifts in the timing of sales and development, which lower revenues and expenses. Cash flow impacts are reviewed regularly and adjustments are made to program timing to account for market conditions. Changes to these cash flows will not materially impact the projected positive income resulting from the Blatchford redevelopment or the dividend from Land Enterprise Retained Earnings. The details of the adjustments are included in Attachment 1.

### **Service Packages**

Service packages reflect new or enhanced services, growth on existing services or increases resulting from impacts of capital.

A funded service package is included for Edmonton Police Services due to a provincial change in mandate requiring the implementation of Body Worn Video and Digital Evidence Management. These adjustments are described earlier in the report.

Unfunded service packages are included in Attachment 2 for Council consideration; they would require an approved Council amendment to add to the budget. The total tax levy impact of the unfunded service packages would be a tax levy increase of 2.6 per cent if all were funded.

Unfunded service packages submitted by Agencies, Boards and Commissions are:

- Explore Edmonton - Operational Support
- 2026 Funding Increase for GEF Seniors Housing Capital Expenses

Trade-offs must be made to find a balance of addressing structural budget variances through budget increases and service reductions. To address structural budget variances and align actual expenditures with the approved budget, some service reductions may be required. Unfunded

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

service packages have been submitted for Council consideration, outlining these necessary adjustments. Should Council desire to maintain current service levels, the service package would need to be funded. If left unfunded, service levels will be reduced to align actual expenditures with the budgetary allocation. The three service packages related to maintaining existing service levels are:

- Bus Cleaning Service Delivery Model
- Custodial Living Wage Impacts
- DATS Service Level Enhancement

All other unfunded service packages are motioned by Council:

- Bus Service Growth Operating Impacts of Capital, related to the Council directed unfunded capital profile "27-61-3624 Growth Buses" included in Attachment 8 of FCS03159, Fall 2025 Supplemental Capital Budget Adjustment
- Community Standards Peace Officers Contingent
- Commercial Vacancy Reduction Grant and Commercial Redevelopment Grant programs
  - Commercial Redevelopment Grant
  - Commercial Vacancy Reduction Grant
- Enhanced Transit Safety and Security
  - Permanent Enhanced Cleaning
  - Transit Peace Officers Optimal Deployment Plan
  - Transit Rider Support at Stations
- Enoch Cree Nation Whitemud Drive Upgrades
- Expansion of Derelict Residential Tax Subclass
- Improved Accessibility - Active Pathway Snow Removal and Sidewalk Repair
- Infill Liaison Team
- Parking Ban Enforcement Strategies and Resource Allocation
- River Valley Trail Strategy
- Traffic Signals Program Review
- Winter/Summer Temporary Assignment to Permanent Positions - Analysis and Options

Unfunded service packages that result from motions made after October 31, 2025, will be included as an addendum to the Fall 2025 SOBA.

### Updates to User Fees

Changes to previously approved user fees are included in Attachment 2. Where there are impacts to budgeted revenues as a result of changes to user fees, these changes have been incorporated to the proposed Fall 2025 SOBA. Not all changes in user fees result in changes to the budget, as some fees are being adjusted to align actuals and budget, while others may have a rate and volume component. The majority of fee changes relate to inflationary increases. Notable changes to user fees include:

- Development Services is introducing a fee for Future Growth Area Servicing Study for Subdivision Endorsements. The amount is to be determined.

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

- Community Standards is introducing a pet licence fee for hens and bees, and a fee for kennel relinquishment.
- Edmonton Fire Rescue Services is revising fire inspection fees for plan examination and letter of compliance related to storage tank systems to differentiate between aboveground and undergrounds systems.
- Edmonton Transit Service will introduce new Regional Airport monthly cap products that combine Airport and multi-day transit passes. These will consist of an Airport + 3-day Pass and an Airport + 5-day Pass. This change is supported by the City of Leduc and Leduc County as part of the Regional Transit to Edmonton International Airport Cost Share Agreement.
- U-Pass fees for 2026 have been added, to reflect the rates agreed upon by post-secondary partners and regional municipalities as part of the 2025-2028 U-Pass agreements.

### Focus on Financial Sustainability

The financial challenges the City faces are complex and may take several years to address. Choices must be made between funding these budget pressures through increased property taxes or by reducing service levels, and it will likely take a combination of both strategies to ensure continued financial stability. Heading into the final year of the 2023-2026 budget cycle, focus remains on addressing structural budget variances and repayment of the FSR, in order to start the 2027-2030 budget cycle on a solid foundation.

### Community Insight

Recent public opinion research and public engagement on the four-year budget in 2022 provides insight to perspectives on City services and taxation.

Administration conducted the second budget survey in October 2025 to understand Edmontonians' current financial situation and their opinions on potential adjustments to City services, user fees and property tax increases. A total of 666 respondents completed the online survey. Survey respondents are reflective of Edmontonians in terms of age, gender, income and regional distribution across the city (by quadrant). The 2025 budget survey results are consistent with the 2024 budget survey.

Key findings include (details in Attachment 7):

- 24 per cent of respondents supported the option to increase taxes more than 6.4 per cent and keep current service levels and user fees.
- 40 per cent supported the option to keep the 6.4 per cent tax increase with some service reductions and user fee increases.
- 42 per cent of respondents supported the option to lower the tax increase below 6.4 per cent with more significant service reductions and user fee increases.
- The majority of respondents (59 per cent) indicated that their financial situation has become more challenging compared to the same time last year. Most attributed the challenge to the increased cost of living or inflation.
- 51 per cent of respondents reported that they believe their household financial situation will become more challenging within the next 12 months.

## FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget

Administration conducted its fourth annual Service Satisfaction Survey in the summer of 2025. The survey gathers high-level perceptions of overall satisfaction, importance of services, and financial investment. Key findings include (details in Attachment 8):

- The majority of respondents are satisfied with the overall quality of services provided by the City (68 per cent), the ease of accessing City services (59 per cent) and the quality of service they receive from the City (54 per cent).
- Regarding how well the City of Edmonton informs Edmontonians about services, 55 per cent of respondents were satisfied, a significant increase from the previous year (up seven points).
- A majority of respondents indicated they see City services as important. A greater proportion found these services to be more important in 2025 compared to 2024: infrastructure delivery (up five points); parks, sports fields and green spaces (up six points); City-owned and operated attractions (up six points); land-use planning (up eight points); and building and development permits and inspections (up seven points).
- More than half of respondents suggest increased investment in affordable housing for low-income households, community safety, homelessness response and support and year-round road maintenance.
- There were positive gains with the perception of the quality of life in Edmonton (76 per cent, up five points) and with the perception that overall, Edmonton is a safe city (54 per cent, up six points). Both increased from 2024 to 2025.

Administration conducted extensive public engagement in the summer of 2022 to support City Council in setting the 2023-2026 budget. The community input was reported in the October 31, 2022, Communications and Engagement report CE01489, Budget 2023-2026 Community Insights.

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, and continue to apply to the 2023-2026 budget include:

- 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.
- Participants expressed an overall sentiment of empathy, and 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.

Taken together, these insights illustrate the challenges in building and adjusting municipal budgets. There is no single combination of priorities that will satisfy all Edmontonians, particularly given the financial challenges many residents are facing. The budget adjustment recommendations work to balance delivering important services for Edmontonians with keeping property taxes and other fees manageable.

### GBA+

The four-year budget incorporated input from the public engagement activities described above. This engagement applied a GBA+ 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

Edmonton is committed to climate action through the implementation of the two climate strategies: Edmonton's Community Energy Transition Strategy & Action Plan and Climate Resilient Edmonton: Adaptation Strategy and Action Plan. A carbon budget has been delivered to Council since the 2023-2026 Budget, and its use helps build an understanding of the impact of budget decisions on Edmonton's carbon deficit and emission reduction targets. Information on how the Fall 2025 SOBA will affect the City's carbon budget is detailed in the November 24, 2025, Financial and Corporate Services report FCS03160, Fall 2025 Carbon Budget Update - 2023-2026 Carbon Budget.

In addition to the climate considerations, there are two unfunded service packages included in Attachment 2 that contribute to environmental stewardship. The River Valley Trail Strategy project supports the long-term protection of the river valley's environmental and ecological health, while the reinstatement of the Infill Liaison Team supports the City's ability to promote environmental compliance and reduce environmental impacts in urban development. The River Valley Trail Strategy service package aligns with: 1) The City Plan Outcome 5.1 - Edmonton protects, expands and improves access to its natural systems and open spaces in support of biodiversity and the health and enjoyment of all Edmontonians, and 2) The City Plan's Intention 5.1.1 - Ensure protection, enhancement and opportunities for access to open space and the river valley and ravine system. The Infill Liaison Team service package supports the City Plan's policies 5.3.1.4 - Prevent premature fragmentation and conversion of agricultural lands for residential and non-residential uses and 1.4.1.1 - Facilitate energy efficient redevelopment and retrofits.

### Attachments

1. 2026 Operating Budget Changes
2. Operating Budget - Fall 2025 Supplemental Operating Budget Adjustment
3. Status Update of Structural Budget Variances
4. PRIVATE - Status Update of Structural Budget Variances

## **FALL 2025 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 Operating Budget**

5. Old Strathcona Public Realm Strategy Reserve Schedule
6. LRT Reserve Update
7. 2025 Budget Survey Results - Public Opinion Research - November 2025
8. City of Edmonton Service Satisfaction Survey - August 2025