

**Structural Budget Variances - December 31, 2025 Operating Financial Update**

(\$000's)

The following attachment provides a description of structural budget variances over \$1.5 million. Action plans are provided for each structural budget variance (SBV) with timing to address.

Dept	Branch	Item Name (Attachment 1 reference)	Description of structural budget variance - Include "Current Service Level:" for each SBV in this section.	2025 Year End Variance \$000's	Ongoing Annual SBV \$000's	Status Update	Timing - when SBV can be resolved
						- What have you done and what are you doing to address SBV? - Provide update on progress towards resolving SBV including challenges - Has there been any impact to the timing of resolving the SBV?	
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 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 2025-2026 budget cycle, and into 2027-2030.</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>	(8,500)	(9,400)	<p>Transit fare revenue performed better than expected in 2025, resulting in a \$4.5 million positive variance at year-end. The anticipated shortfall was \$8.5 million instead of the original anticipated shortfall of \$13 million. This can be directly linked to implementation of this action plan, including:</p> <ul style="list-style-type: none"> <li>- Implementation of an additional 50,000 service hours in April 2025, when combined with more rider outreach, contributes to increases in ridership and fare revenue.</li> <li>- More options for faring were 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. In February 2026, multi-day pass options were added to the airport transit route.</li> <li>- Enhanced safety measures, including joint deployment teams, are in place across the network for fall and winter.</li> <li>- ETS has increased rider outreach and education to grow ridership and fare revenue, including more community partnerships at festivals and events.</li> <li>- 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.</li> <li>- Audio and visual reminders within the LRT system encourage fare payment, including the use of Arc cards.</li> </ul> <p>The structural budget variance will need to be addressed on an ongoing basis in the 2027-2030 operating budget. In 2027, the multi-year one-time funding of \$17.5 million in 2026 will no longer be in place, increasing ETS' fare revenue budget by this amount. The fare revenue shortfall is expected to continue to decrease and be \$9.4 million starting in 2027.</p>	2028
City Operations	Edmonton Transit Service	Transit Operator Overtime  (Personnel Costs)	<p>A projected variance for transit operator overtime-related expenditures due to increased absenteeism from higher sick time, WCB claims, and long-term disabilities, leading to more overtime to cover shortages.</p> <p>Current Service Level: In 2024, ETS directly operated over 2.2M annual service hours on conventional bus and LRT. 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>	(7,326)	(7,326)	<p>Work is underway, by Administration, to explore actions to reduce sick absences and workplace injuries, including the need for proactive illness prevention programming across the corporation (incl. ETS). In addition, a strategic review of Workers' Compensation Board performance has been completed and related recommendations are being implemented. Sick and WCB-related absences in ETS have increased year-over-year for the past four years, requiring unplanned overtime from Operators to ensure service continuity.</p>	2029
Community Services	Fire Rescue Services	Overtime (OT)  (Personnel Costs)	<p>The drivers of this variance are higher than expected sick, WCB and long term disability leaves which require overtime costs to cover minimum staffing levels.</p> <p>The branch has reduced the OT variance for Fire Operations from just over \$6 million by the end of 2024 to \$3.6 million by the end of 2025. The 2025 negative variance was primarily offset by significant savings from personnel vacancies and wage differentials (new hire rates lower than budgeted amounts) for 2025. The reductions are due to changes in how LTD and WCB leaves are managed as well as the redeployment of the South Hazmat Team to maintain minimum staffing levels and changes to training coverage.</p> <p>Current Service Level: Minimum staffing levels of 223</p>	(3,621)	(2,916)	<p>FRS has implemented several strategies to mitigate the overtime variance:</p> <ol style="list-style-type: none"> <li>1) Sick Time Impact Review Centralization of hazmat emergency response services had resulted in redeployment of four firefighters per platoon for a total of 16 firefighters to cover sick and vacation time (expected to save \$2.3 million annually). In addition to this, 15 positions held for employees on WCB/LTD have been released for recruitment and are part of the recruit class for 2025 (estimated to save \$991K annually).</li> <li>2) Training Adjunct Model Review A scheduling change has been made to the training model to mirror firefighter scheduling. The change in schedule has eliminated the need to bring staff in on overtime. In the past, multiple recruit classes were held every year. Starting in 2025, EFRS has moved to one recruit class per year which will result in a decrease in resources required for secondment to the the training academy.</li> </ol> <p>NOTE: For 2025, savings from vacancies, leaves of absence and wage differentials between budgeted and actuals were sufficient to cover the overtime variance. It is expected that the personnel vacancy and wage differential savings trend will continue into 2026. A full assessment of personnel variance drivers is being conducted to understand if this favourability will extend into the 2027 to 2030 budget cycle.</p>	Q4 2027

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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"> <li>Damages and repairs to City's assets (First Party claims), driven by asset base growth, inflation, aging infrastructure, climate change and vandalism.</li> <li>Legal settlements for third-party claims against the City, driven by growth, inflation, higher injury settlements from recent court decisions.</li> </ol> <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>	(2,851)	(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"> <li>- reassessment of insurance coverage for various asset classes,</li> <li>- adjustment of premium levels for partner organizations,</li> <li>- enhanced activity / trend reporting and debrief sessions with asset owners, and</li> <li>- establishment of auto incident reduction targets.</li> </ul>	2027-2030 Budget
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>	(832)	(4,560)	<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> <p>The premium rate recently increased by 11.7%. Thus the revised and new SBV starting 2026 is estimated at \$4.6M.</p>	2027-2030 Budget
City Operations	Fleet and Facility Services	Vandalism Costs  (Vandalism)	<p>This SBV was approved for funding by Council during Fall 2025 SOBA.</p> <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 &amp; 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)	0	<p>Funding for this SBV was approved through the Fall 2025 SOBA to provide budget in alignment with current service levels. Administration will continue to address the root cause and refine the budget amounts.</p>	Fall 2025 SOBA