

Impact of Decisions – Budget Guidelines

Recommendation:

That the October 26, 2011, Financial Services report 2011CF1829 be received for information.

Report Summary

This report provides an update on changes that took place since the 2012 Operating Budget Guideline was approved by City Council as well as the impact of recent Council decisions.

Previous Council/Committee Action

At the June 22, 2011, City Council meeting, the following motion was passed:

- That Administration prepare the draft 2012 Operating Budget on the basis of a 3% tax rate increase for Civic Programs, Boards and Commissions and a 1.5% tax rate increase for Neighbourhood Renewal.
- That Administration provide further clarification:
 - 2012 Operating Budget Guideline – Fire Hydrant Maintenance Update to the Utility Committee regarding fire hydrant maintenance
 - Labour Strategy Budget Presentation-growth in union and non-union employees and Corporate Services as part of the Budget presentation

Report

Administration presented to Council on June 22, 2011, the following strategies to achieve a 3% general tax increase:

- directing the 2011 Education tax room of \$9 million and the 2011 additional tax revenue from assessment growth of \$7.6 million to paying for 2012 debt servicing
- amendments to the fire hydrant contract that would result in a \$7.8 million reduction to the tax levy requirement
- service and budget review, expenditure reductions and/or revenue increases of \$24.9 million. This change included a proposed \$4 million increase in franchise fees

Since the Budget Guideline was approved the following has occurred:

- forecast for 2012 tax revenue from assessment growth increased by \$2.5 million from \$13 million to \$15.5 million
- projection for debt servicing costs has been reduced a further \$1 million
- on September 14, 2011, City Council did not approve the proposed amendment to the fire hydrant contract, which results in the prior year \$7.8 million cost being added back. In addition the contract costs will increase in 2012 by \$1.1 million. The total budgeted cost for fire hydrant maintenance for 2012 is \$8.9 million
- on September 27, 2011, City Council did not approve the proposed increase in Franchise Fees of \$4 million
- operating impact of proposed Capital Renewal Program deferral results in a \$1 million increase in transit related fleet maintenance costs

Outstanding issues that will affect the budget outcome include outstanding negotiated settlements and further

proposed service changes that will be decided by Council during the budget deliberations.

Corporate Outcomes

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

- The City has well managed and sustainable assets and services.
- The City has a resilient financial position.
- The City has balanced revenue streams that are sustainable.