

Proposed 2019-2022 Operating Budget

Recommendation

That the 2019 Operating Budget be approved as follows:

1. Total tax-supported operations with revenues of \$2,980,534,000 and expenditures of \$2,980,534,000. Tax-supported operations revenue of \$2,980,534,000 includes:
 - a) Revenue based on a total property and payment-in-lieu tax levy estimated to be \$1,660,047,000 (0.7% general tax increase, 0.6% for Valley Line LRT, 0.3% for Alley Renewal, and 1.7% for Edmonton Police Service.)
 - b) Estimated non-tax revenue of \$1,320,487,000.
2. The Municipal Enterprises operating budget includes:
 - a) Land Enterprise with revenues of \$41,428,000 and expenditures of \$27,160,000.
 - b) Blatchford Redevelopment Project with revenues of \$8,627,000 and expenditures of \$12,629,000.
3. The Community Revitalization Levies operating budget includes:
 - a) Belvedere Community Revitalization Levy with revenues of \$6,283,000 and expenditures of \$6,283,000.
 - b) Capital City Downtown Community Revitalization Levy with revenues of \$22,353,000 and expenditures of \$22,353,000.
4. Non-cash 2019 budget adjustments for amortization of \$536,612,000 and contributed assets of \$128,975,000.

That the 2020 Operating Budget be approved as follows:

5. Total tax-supported operations with revenues of \$3,074,225,000 and expenditures of \$3,074,225,000. Tax-supported operations revenue of \$3,074,225,000 includes:
 - a) Revenue based on a total property and payment-in-lieu tax levy estimated to be \$1,735,048,000 (0.6% general tax increase, 0.6% for Valley Line LRT, 0.4% for Alley Renewal, and 1.1% for Edmonton Police Service.)
 - b) Estimated non-tax revenue of \$1,339,177,000.
6. The Municipal Enterprises operating budget includes:

a) Land Enterprise with revenues of \$36,165,000 and expenditures of \$28,989,000.

b) Blatchford Redevelopment Project with revenues of \$16,525,000 and expenditures of \$18,392,000.

7. The Community Revitalization Levies operating budget includes:

a) Belvedere Community Revitalization Levy with revenues of \$5,080,000 and expenditures of \$5,080,000.

b) Capital City Downtown Community Revitalization Levy with revenues of \$28,814,000 and expenditures of \$28,814,000.

8. Non-cash 2020 budget adjustments for amortization of \$592,199,000 and contributed assets of \$128,975,000.

That the 2021 Operating Budget be approved as follows:

9. Total tax-supported operations with revenues of \$3,178,138,000 and expenditures of \$3,178,138,000. Tax-supported operations revenue of \$3,178,138,000 includes:

a) Revenue based on a total property and payment-in-lieu tax levy estimated to be \$1,804,876,000 (0.1% general tax increase, 0.3% for Valley Line LRT, 0.3% for Alley Renewal, and 1.3% for Edmonton Police Service.)

b) Estimated non-tax revenue of \$1,373,262,000.

10. The Municipal Enterprises operating budget includes:

a) Land Enterprise with revenues of \$23,150,000 and expenditures of \$21,149,000.

b) Blatchford Redevelopment Project with revenues of \$22,304,000 and expenditures of \$15,884,000.

11. The Community Revitalization Levies operating budget includes:

a) Belvedere Community Revitalization Levy with revenues of \$2,405,000 and expenditures of \$2,405,000.

b) Capital City Downtown Community Revitalization Levy with revenues of \$31,979,000 and expenditures of \$31,979,000.

12. Non-cash 2021 budget adjustments for amortization of \$630,823,000 and contributed assets of \$128,975,000.

That the 2022 Operating Budget be approved as follows:

13. Total tax-supported operations with revenues of \$3,269,600,000 and expenditures of \$3,269,600,000. Tax-supported operations revenue of \$3,269,600,000 includes:

a) Revenue based on a total property and payment-in-lieu tax levy estimated to be \$1,877,773,000 (0.4% general tax increase, 0.3% for

Valley Line LRT, 0.3% for Alley Renewal, and 1.0% for Edmonton Police Service.

b) Estimated non-tax revenue of \$1,391,827,000.

14. The Municipal Enterprises operating budget includes:

a) Land Enterprise with revenues of \$39,910,000 and expenditures of \$36,270,000.

b) Blatchford Redevelopment Project with revenues of \$28,785,000 and expenditures of \$30,787,000.

15. The Community Revitalization Levies operating budget includes:

a) Belvedere Community Revitalization Levy with revenues of \$1,934,000 and expenditures of \$1,934,000.

b) Capital City Downtown Community Revitalization Levy with revenues of \$35,272,000 and expenditures of \$35,272,000.

16. Non-cash 2022 budget adjustments for amortization of \$643,571,000 and contributed assets of \$128,975,000.

Executive Summary

This report recommends that the proposed 2019-2022 Operating Budgets for Tax supported Operations and Municipal Enterprises be approved by Council. Consideration of this report by City Council is required to meet the legislated requirements under the *Municipal Government Act* (MGA or Act) to have an operating budget approved by December 31, 2018.

Report

Administration is presenting the proposed 2019-2022 Operating Budget for Tax-Supported Operations (Civic Programs, Boards and Commissions) and Municipal Enterprises to City Council on November 7, 2018. Previously, Administration presented the 2019-2022 operating budget outlook to City Council at the June 26, 2018 meeting. This presentation provided an overview of the financial challenges facing the City over the next four years and described how Administration planned to address those challenges over the following months.

As required by the *Municipal Government Act*, City Council must adopt an operating budget for each calendar year. This operating budget, or an interim budget, must be approved prior to December 31, 2018. The Act also requires that proposed revenue and transfers be sufficient to pay for the proposed expenditures and transfers over the budget period.

In alignment with Policy C578 Multi-year Budgeting, which was approved by City Council on September 10, 2014, Administration recommends that Council approve all

four years of operating budgets. Administration will return to Council in April 2019 with an update on the budget estimates, when the Province is expected to have finalized their education requisition portion of the property tax and the final assessment growth numbers will be available. Administration will then recommend that Council approve any significant amendments to the operating budget as a result of the updated information. The update to the budget will be presented prior to Council's approval of the property tax bylaw at the end of April, which establishes the residential and non-residential mill rates for the year. Once the budget has been updated and the property tax bylaw approved, assessment notices can then be distributed to Edmonton property owners by the end of May. Property taxes will be due by the end of June.

The process described above will be used to update and adjust the operating budgets in 2020, 2021 and 2022. Throughout 2019, 2020 and 2021, Administration will collect updated estimates and monitor the external environment in order to bring forward any proposed adjustments to the operating budgets to Council early in year or the operating budget period. As was outlined in the September 10, 2014, report CR_1273 to City Council, the future year budgets would only be adjusted when warranted by certain exceptional circumstances, including:

- External factors such as provincial or federal budgets, or changes imposed by legislation.
- Adjustments that reflect operating impacts related to implementing and completing capital projects.
- Unforeseen changes to economic forecasts that Administration anticipates will affect costs, service demand volumes, or revenue projections.
- Council-directed changes to priorities, policies and programs.

Similar to the current process, any required updates to the 2020, 2021 and 2022 operating budgets require Council's approval prior to approving the tax rate bylaw at the end of April of the respective year.

Budget/Financial Implications

If approved by City Council, the proposed 2019 Operating Budget would result in a 3.3% tax increase comprising a 0.7% increase for general services, 0.6% tax increase for Valley Line LRT, 0.3% tax increase for Alley Renewal, and 1.7% tax increase for Edmonton Police Service. Non-cash adjustments will not impact the tax levy requirement.

The proposed 2020 Operating Budget would result in a 2.7% tax increase comprising a 0.6% increase for general services, 0.6% tax increase for Valley Line LRT, 0.4% tax increase for Alley Renewal, and 1.1% tax increase for Edmonton Police Service. Non-cash adjustments will not impact the tax levy requirement.

The proposed 2021 Operating Budget would result in a 2.0 % tax increase comprising a 0.1% increase for general services, 0.3% tax increase for Valley Line LRT, 0.3% tax

increase for Alley Renewal, and 1.3% tax increase for Edmonton Police Service. Non-cash adjustments will not impact the tax levy requirement.

The proposed 2022 Operating Budget would result in a 2.0% tax increase comprising a 0.4% increase for general services, 0.3% tax increase for Valley Line LRT, 0.3% tax increase for Alley Renewal, and 1.0% tax increase for Edmonton Police Service. Non-cash adjustments will not impact the tax levy requirement.

Public Outreach

Administration is using various approaches to communicate the proposed 2019–2022 Operating Budget and gather public input. The communications plan aims to improve the public’s understanding of how City funds are spent and how Administration develops the budget.

Administration’s communications approach for the 2019 to 2022 budget cycle included some activities that were used in prior years, such as having members of Administration attend events and festivals to provide citizens with the opportunity to learn more about the City’s budgets and to promote a web based survey tool, which was also promoted using social media. The survey tool allowed members of the public to indicate their preferences about how to allocate tax dollars to various City services as well as express their priorities and provide comments. Administration also capitalized on other opportunities for public outreach, including updating the yegcitybudget website to create a simple question-and-answer tool. Members of the public also have instant access to all budget information through the Open Budget tool.

Administration’s communications approach also includes research to establish the public’s and media’s baseline understanding of the City’s budget. This research will help Administration identify education and information needs to ensure that budget decisions can be easily understood by the public. This data will also be used to inform, measure and enhance ongoing budget-related communications activities over the next four years.

Administration will present all the public input received to date at the Non-Statutory Public Hearing scheduled on November 15 for Council’s consideration. Similar to other years, the Non-Statutory Public Hearing will also provide Edmontonians with the opportunity to address City Council directly about concerns or questions regarding the proposed 2019-2022 Operating Budget.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position.			
Outcome(s)	Measure(s)	Result(s)	Target(s)

Effective financial planning preserves and enhances the City's financial position.	City of Edmonton Credit Rating (Standard & Poor's rating)	AA+ (2017)	AA+ (2018)
	Year-over-year change to the base Operating Budget (per Administration's proposed 2019-2022 Operating Budget)	0.3% (2019) 0.4% (2020) 0.9% (2021) 1.9% (2022)	Within inflationary forecast for Edmonton Economy

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Financial	Material variance in proposed operating budget included in 2019-2022 Operating Budget	2 - unlikely	3 - major	6 - low	Proposed Operating Budget has been developed based on the most up to date forecasts and contains some flexibility through contingency to address any future fiscal challenges.	2019-2022 Operating Budget will be amended for changes in forecasts, assumptions, and emerging issues as part of the Supplemental Budget Adjustment process.

Attachments

1. Proposed 2019-2022 Operating Budget for City Council Discussions

Others Reviewing this Report

- K. Armstrong, Deputy City Manager, Employee Services
- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- P. Ross, Acting Deputy City Manager, Urban Form and Corporate Strategic Development
- R. Smyth, Deputy City Manager, Citizen Services