

THE WAY WE FINANCE

# 2014 Operating Budget

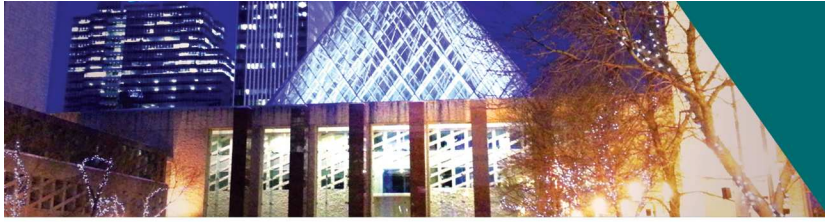
## City Council Discussions

November 6, 2013

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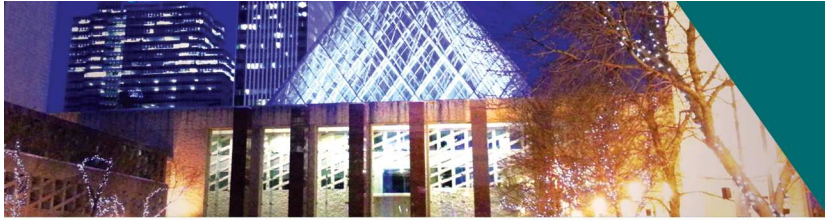
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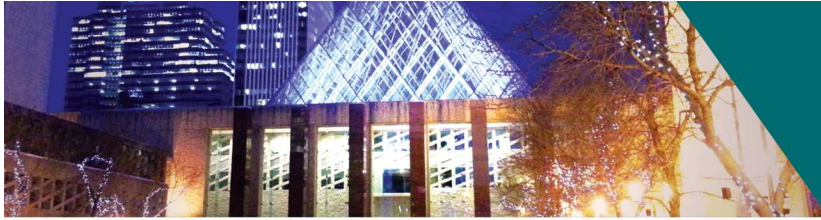
# Agenda

- Working together
- Legislative requirements
- Municipal finances
- 2014 Budget Process and Development
- Highlights of proposed 2014 budget



# Working Together

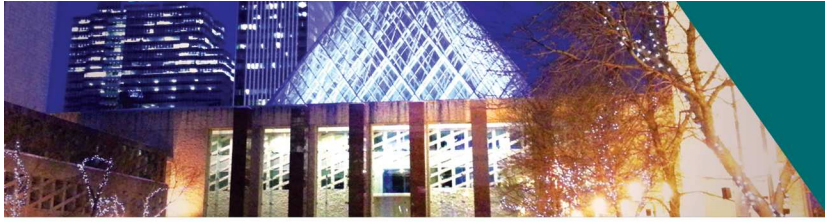
- Collaborative and Integrated Development  
Reflective of the Leadership Principles
- Transparent Accountable Results
- Engaged and Responsive Management
  - Strategy
  - Day to day
  - Communications
  - Culture
  - Structure



# How It Works Together

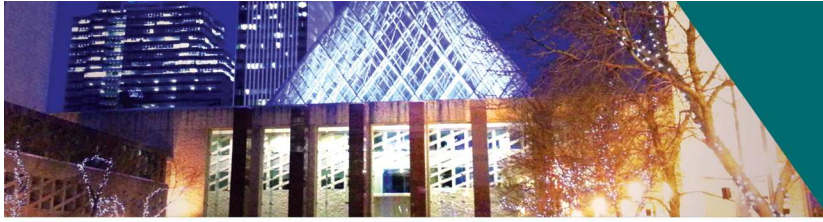






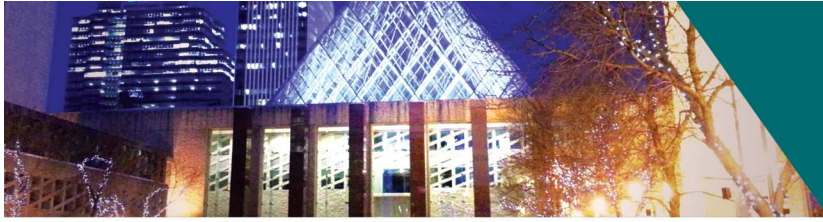
# Legislative Requirements

- Municipal Government Act (MGA)
- Spending set out in capital and operating budgets - approved by Council
- Must approve a balanced budget
- Net operating requirement is the amount required from taxation



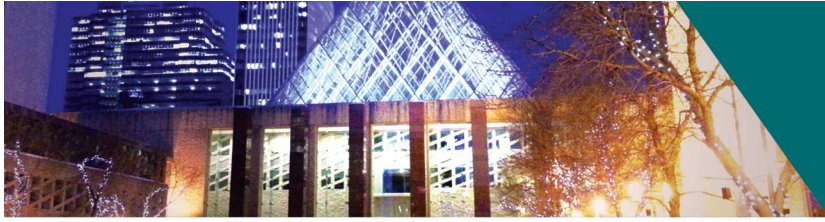
# Delegation of Authority

- Council has delegated certain authority to City Manager (City Administration Bylaw)
- Cannot delegate authority to pass bylaws or adopt budgets



# Delegation of Authority

- Delegated authority on financial matters includes:
  - Prepare/submit operating and capital budgets
  - Expend up to \$500,000 in an emergency not in budget
  - Establish fees, charges, rates and tariffs except as otherwise instructed by Council
  - Invest funds on behalf of the City as permitted under the MGA
  - Authorize budget adjustments up to \$1 million from one budgeted program to another



# Delegation of Authority

- Approve sole source agreements under various restrictions
- Award tenders not exceeding \$20 million, where the expenditure is in an approved budget
- Approve the sale of land at fair market value not exceeding \$3 million
- Approve leases of land under various restrictions.





# Municipal Finances

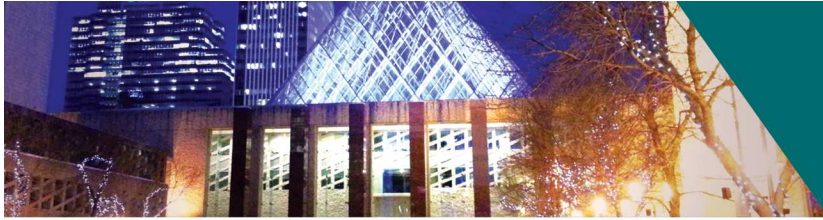
## Capital Budget (2012-2014)

- Funds capital infrastructure (e.g. LRT, information technology, recreation facilities, roads, sidewalks, etc.)
- Funding includes grants from other orders of governments

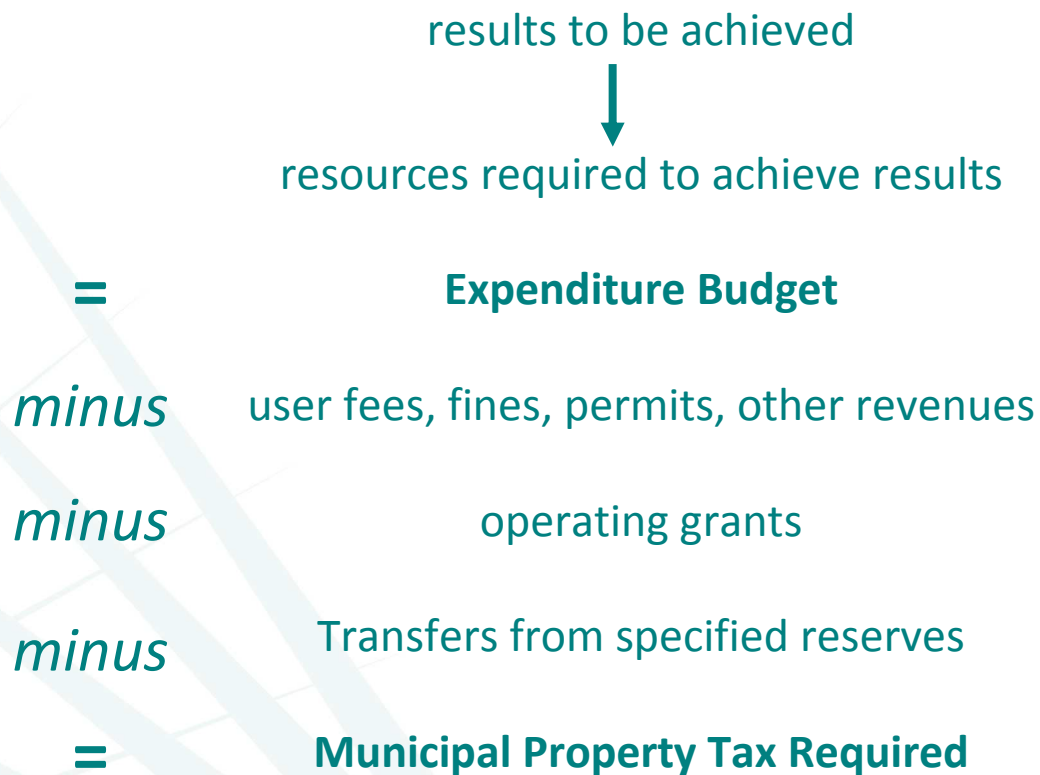
## Operating Budget (2014)

- Funds day to day municipal services (e.g. transit, police, fire protection, lifeguards, pothole repairs, street lights, etc.)
- largely funded by user fees, fines, permits, and property taxes

Currently only the capital budget is approved for multiple years. Will discuss with Council in the 1<sup>st</sup> quarter of 2014 moving the operating budget to a multi-year approval.



# Municipal Finances





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# Municipal Finances

## Distribution of Municipal Property Tax

### Residential



Provides 46% of Taxes

67.4% of Assessment

\$529 per \$100,000 of  
Assessment

### Other Residential (Apartments)



Provides 5% of Taxes

6.5% of Assessment

\$609 per \$100,000 of  
Assessment

### Non-Residential (Commercial/Industrial)



Provides 49% of Taxes

26.1% of Assessment

\$1,456 per \$100,000 of  
Assessment

### Farmland

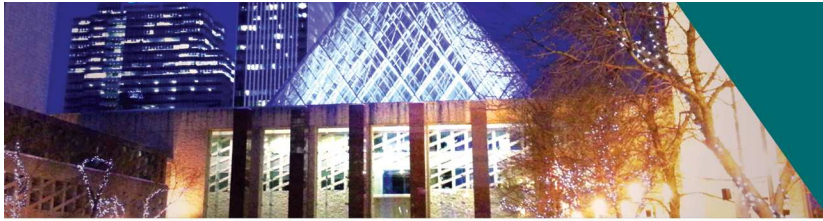


Provides < 0.01% of Taxes

<0.01% of Assessment

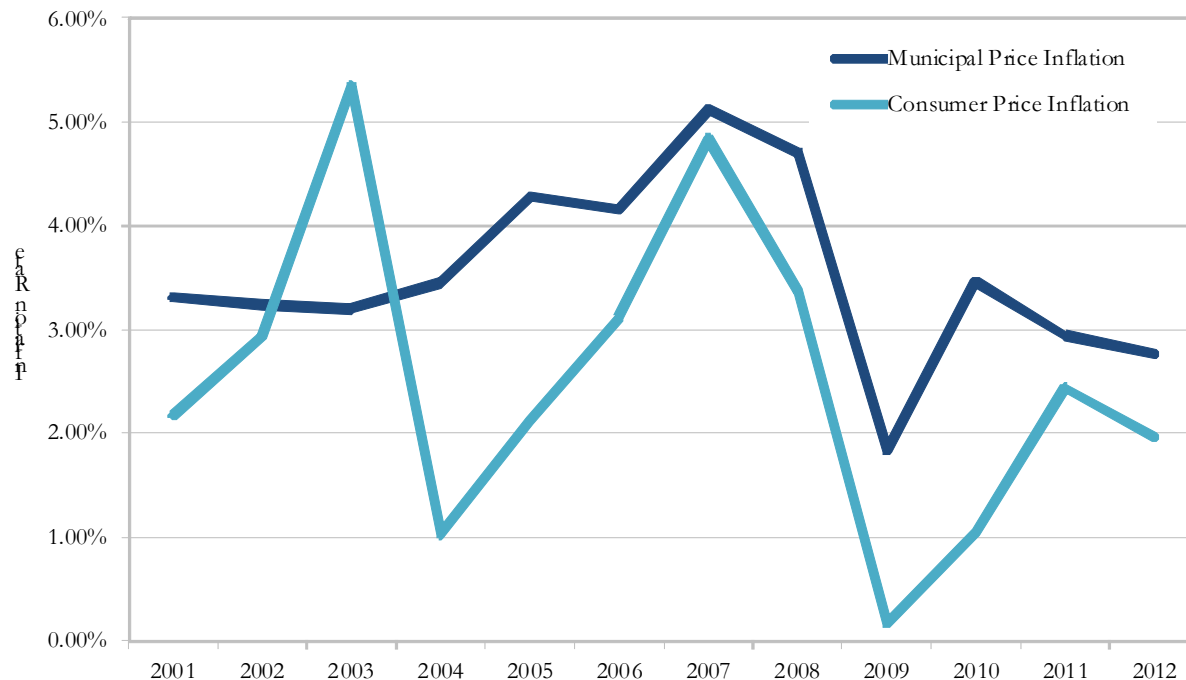
\$529 per \$100,000 of  
Assessment

Property assessment and taxation is governed by Provincial legislation



## Inflation

### Municipal Price Inflation versus Consumer Price Index 2001-2012



Consumer Price Index based on average consumer spending on food, shelter, clothing, utilities, transportation, recreation, among other things.

Municipal Price Inflation based on delivering municipal services such as fire & police protection, operating facilities, bus purchases, road building, landscaping, among other things.

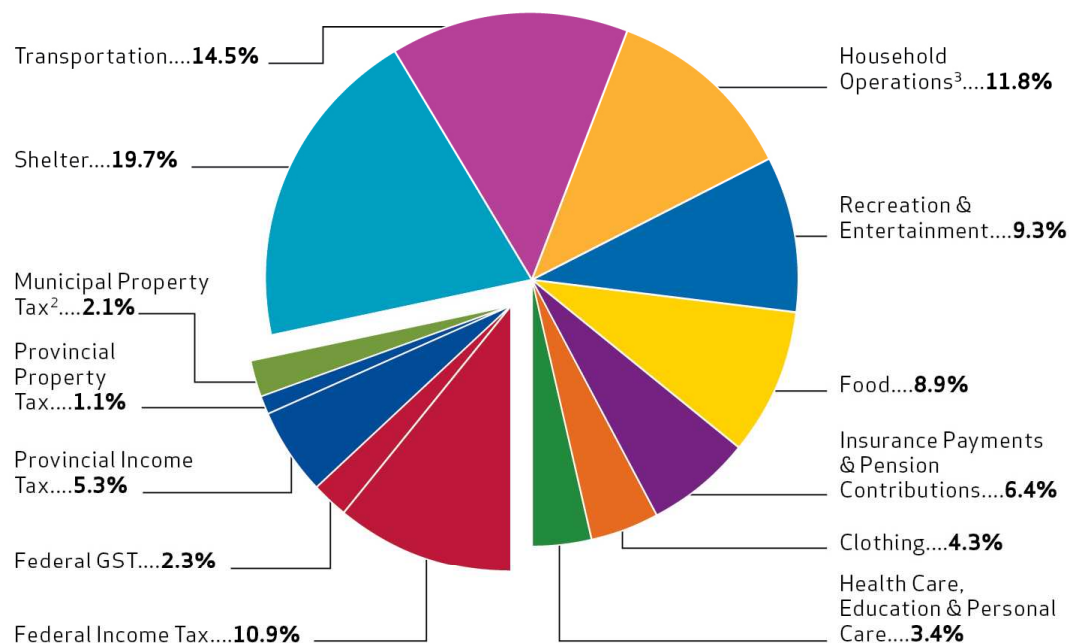




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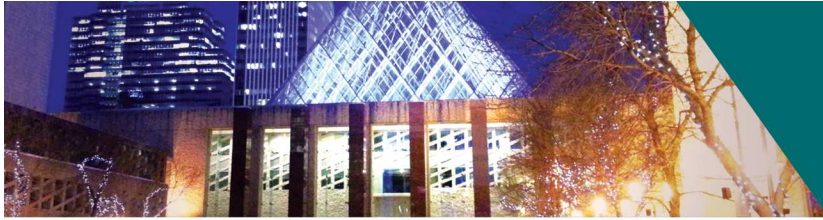
## MONTHLY AVERAGE HOUSEHOLD SPENDING<sup>1</sup>



### NOTES

- <sup>1</sup> Statistics Canada, Survey of Household Spending in 2011.  
<sup>2</sup> 2011 Municipal Property Taxes are based on a typical Edmonton house at that time.

- <sup>3</sup> Household Operations include household furnishings & equipment, cell phone, telephone, internet, pet expenses, paper & plastic supplies, household & garden supplies



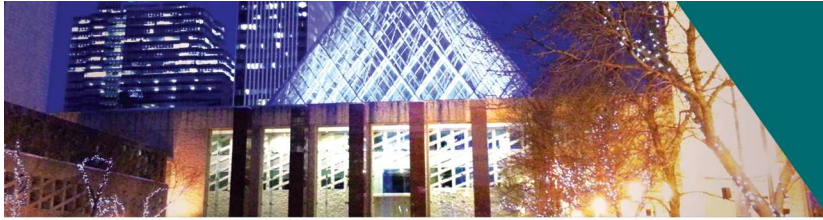
# 2014 Budget Process

- 2014 budget for civic programs and boards and commissions released electronically November 1
- 2014 budget binders distributed November 6
- Council submits written questions to Administration by November 14
- Administration provides written responses November 22
- Budget deliberations commence with a non-statutory public hearing on November 25



# Public Consultation

- Online engagement and telephone poll:
  - Input on preferred ways to balance budget
  - Input on priorities of service areas
    - increase or decrease funding to any of 19 service areas
  - Ideas for improving any services
- Non-statutory public hearing on November 25



# Budget Development

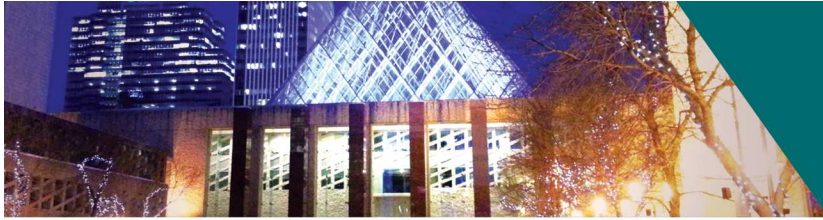
- Major cost drivers for 2014 budget increase
  - Operating impacts of prior years capital investment
  - Personnel cost increases
- Evaluated and prioritized department forecasts and services needs
- Edmonton Police Services, Edmonton Public Library and Edmonton Economic Development Corporation allocated a proportional share of assessment growth for budget development





# Budget Development

- Evaluated opportunities for
  - Revenue generation
  - Productivity enhancements
  - Service level optimization and changes
  - Alternate service delivery
- Proposed budget reflects \$8.0 million in reduced expenditure and \$1.4 million in increased revenue opportunities
- Another \$9.5 million in operating costs of capital has been deferred to 2015 and 2016



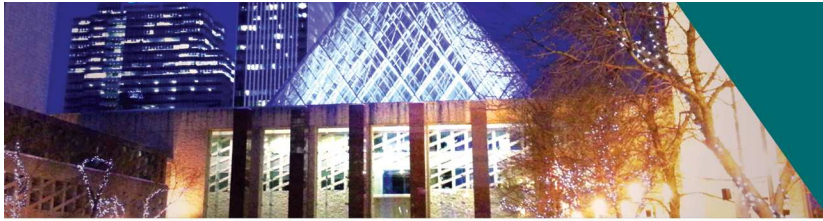
# 2014 Proposed Budget

- 1.5% dedicated tax increase recommended to continue to fund the Neighbourhood Renewal program
  - Microsurfacing
  - Neighbourhood Overlay
  - Neighbourhood Reconstruction
  - Collector Renewal
  - Northeast road reconstruction
  - Average annual ongoing funding target of \$147 Million in 2013 dollars (transportation infrastructure only - doesn't include drainage utilities)



# 2014 Proposed Budget

- Proposed budget recommends a 4.0% general tax increase
  - Operating impacts of capital account for 2.8%
    - Impact of capital projects - \$19 million
    - Debt servicing - \$12 million
    - Impact of contributed assets - \$0.7 million
    - Total operating impacts of capital \$31.7 million
- Revenue increases associated with assessment growth and volume increases for user fees, fines and permits and for franchise fees offset personnel cost increases and non-personnel inflation when productivity and other efficiencies are considered
- Funded service packages account for 1.2%



# Revenues

## 2014 Proposed Budget

### Proposed Property Tax Increase

#### (Increase)/Decrease in Revenue

Assessment Growth Tax Revenue

(30.1)

User Fees, Fines, Permits

Volume Increases

(13.8)

Rate Increases

(1.4)

Franchise Fees

(6.3)

Other Revenues

0.9

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**(50.7)**

**Tax  
Increase %**

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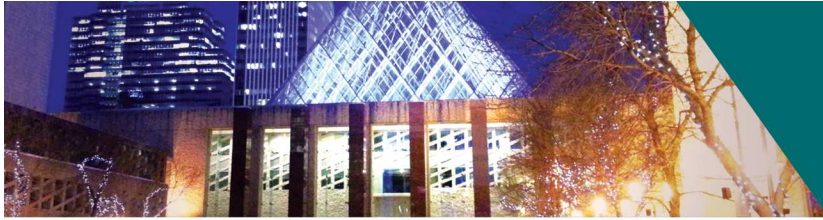
**-4.4**





# Assessment Growth

- 2014 Budget forecast of \$30.1 million based on medium scenario
- Assessment/tax growth model
  - Input from: Chief Economist & Sustainable Development
  - Track existing building permits and development trends
- Spring/Fall forecast versus December 31 property condition



# Expenditures

**2014 Proposed Budget****Proposed Property Tax Increase****\$ millions****Tax  
Increase %****Increase/(Decrease) in Expenditures**

Maintain Existing Services

Incremental Personnel Costs

38.5

Non-personnel Costs

2.9

Fleet Charges

7.1

Other Expenditures

6.0

Productivity Enhancements

(8.0)

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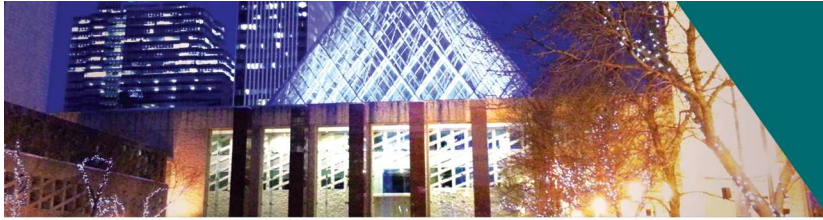
46.5

4.1



# Expenditures

2014 Proposed Budget	\$ Millions	Tax
Proposed Property Tax Increase		Increase %
Impact of Previous Council Decisions (Net)		
Impact of Capital Projects	19.0	
Impact of Contributed Assets	0.7	
Debt Charges	12.0	
	<hr/> 31.7	2.8
<b>Total to Maintain Services</b>	<b>27.5</b>	<b>2.5</b>



# Expenditures

2014 Proposed Budget	\$ Millions	Tax Increase %
<b>Proposed Property Tax Increase</b>		
<b>Funded Service Packages</b>		
Revenue on Funded Service Packages	(2.8)	
Funded Service Packages	17.0	
	<u>14.2</u>	1.2
<b>Funding Available to Council - ongoing</b>	<u>4.0</u>	<u>0.3</u>
<b>Net Property Tax Increase before Neighbourhood Renewal</b>	45.7	4.0
<b>Neighbourhood Renewal Program</b>	17.1	1.5
<b>Total Net Property Tax Increase</b>	<b>62.8</b>	<b>5.5</b>

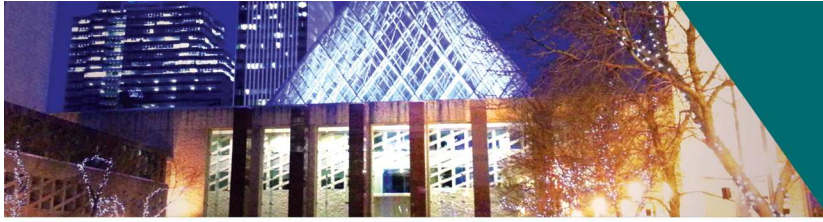
Funded service packages include \$12.0 million in net on-going and \$2.2 million in one time.





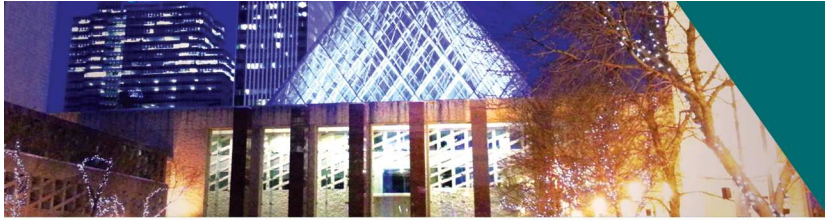
# Summary

2014 Proposed Budget Proposed Property Tax Increase	\$ millions	Tax Increase %
(Increase)/Decrease in Revenue	(50.7)	-4.4
Increase/(Decrease) in Expenditures	96.4	8.4
<b>Total General Property Tax Increase</b>	<b>45.7</b>	<b>4.0</b>
Neighbourhood Renewal Program	17.1	1.5
<b>Total Net Property Tax Increase</b>	<b>62.8</b>	<b>5.5</b>



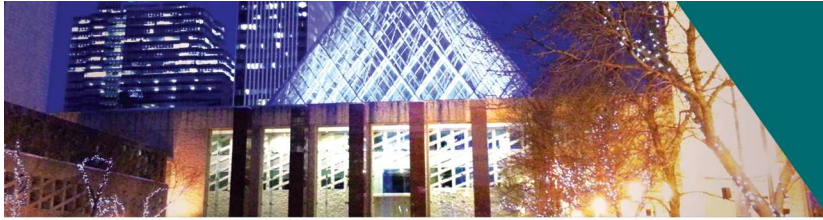
# Personnel Costs

- Cost increase factors:
  - Increased contributions to Local Authorities Pension Plan
  - Range increases towards job rate
  - Contract settlements for prior years
  - Projected cost of living increases



# Personnel Costs

- Organizational realignment
  - Beginning in 2010
  - Eight departments down to five
  - 35 Branches down to 29 in 2013
- Increased oversight
  - Corporate HR dashboards on HR cost activities
  - Employee Safety - external audit score of 92%
  - Early intervention program and enhanced attendance management



# Corporate Overhead

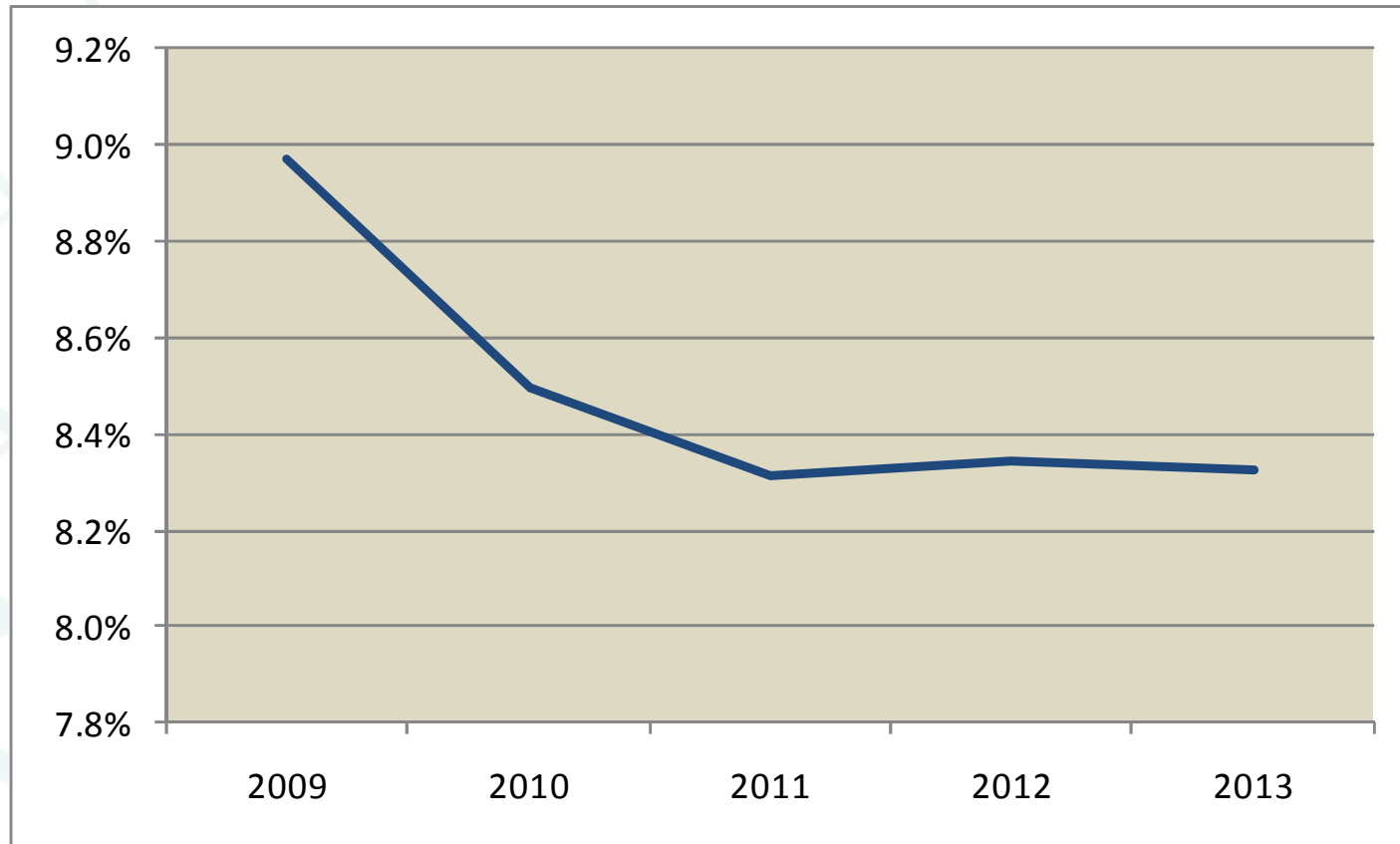
- Defined to include:
  - Financial Services (excluding assessment)
  - Corporate Services (excluding 311 & Fleet)
  - Communications & Intergovernmental
- Analyzed costs as a percent of tax-supported expenditures (not including Police & Library)
  - 5 year trend shows the following:

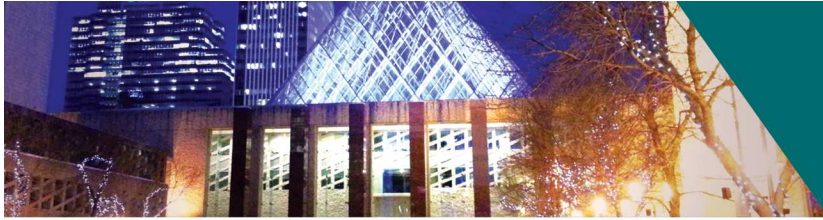




# Corporate Overhead

Corporate Overhead as a Percent of Total Tax-Supported Expenditures  
(not including Police and Library)





# Operating Impacts of Capital

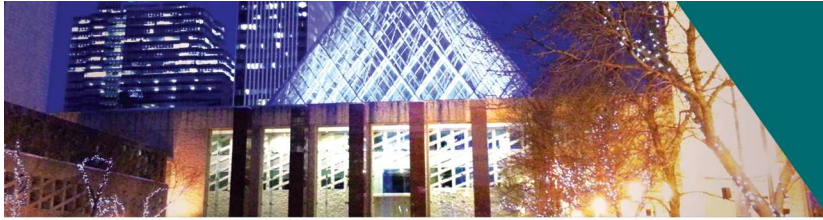
- New facilities and North LRT
  - Meadows and Clareview Recreation Facilities 50.4 FTEs \$2.0 million net
  - Lewis Farms Fire Station 6.5 FTEs \$0.7 million
  - North LRT 26.4 FTEs \$6.5 million
  - Meadows and Clareview Libraries 21.8 FTEs \$2.1 million net
- Contributed Capital - 4.0 FTEs \$0.7 million
  - Traffic signals, street lights and parks
- Debt servicing for new facilities - \$12 million



# FTE Incremental Change

FTE Incremental Change		FTE
Maintain Existing Services		
Civic Departments		(3.9)
Edmonton Police Service		18.0
Edmonton Public Library		2.7
EEDC		3.0
Impact of Previous Council Decisions		
Impact of Capital Projects		
Civic Departments		140.4
Edmonton Public Library		21.8
Impact of Contributed Assets		
Civic Departments		4.0
Funded Service Packages		
Civic Departments		61.5
Edmonton Police Service		8.0
Edmonton Public Library		1.6
Cost Recovery Models		36.0
includes: Fleet and Current Planning		
Total FTE Incremental Change		Note 293.1

Note: Tax Support Operations (289.1) and Fleet Enterprise (4.0)



# Funded Service Packages

Service Packages - On-going	Net Requirement
Aquatic safety standards & practices	\$2.5 million
Civic Events - Tour of Alberta, FIFA World Cup soccer, FCM Conference	\$0.9 million
PCI Compliance (credit card information security)	\$0.8 million
Mayor and Council staff support	\$0.2 million
Downtown civic space requirements	\$0.6 million
Current Planning service enhancements & volume support (\$2.8 million increased revenue & expenditures, net zero)	\$0.0 million
Annexation process	\$1.1 million
Police Services - prisoner transportation	\$1.1 million
Police Services - positions funded from assessment growth	\$4.4 million
Edmonton Public Library - EPL Go service	\$0.4 million

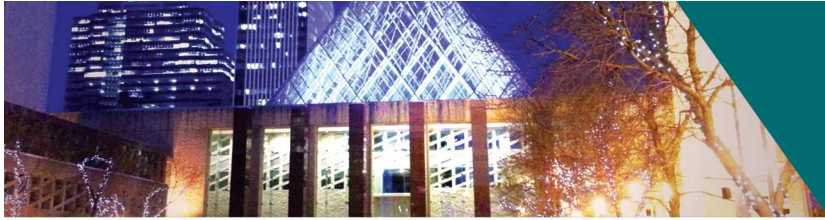




# Funded Service Packages

Service Packages - One time	Net Requirement
Civic Events - ITU Grand Finale	\$1.4 million
Building demolition	\$0.8 million

Service Packages - Fleet Enterprise	Net Requirement
ETS Bus mid life refurbishment (\$2.2 million in revenue & expenditures)	\$0.0 million



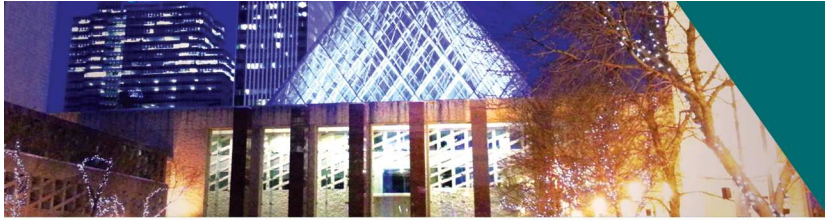
# Budget Strategies

- Budget strategies were developed by City departments and Edmonton Police Services to increase revenue and reduce expenditure.

Examples include:

- Productivity Enhancements

- Neighbourhoods, Parks & Community Recreation - \$500,000 cost reduction through process improvement and organizational realignment
- Materials Management - \$188,000 in printer contract savings
- Office of the City Clerk - \$161,000 in reduced Census costs through greater technology use



# Budget Strategies

- Productivity Enhancements continued
  - Information Technology - \$250,000 reduction through implementation of new NetApp Storage Solution; \$132,000 through increased use of Voiceover Internet Protocol (VoIP)
  - Financial Services - \$492,000 and 8 FTE reduction through centralization of service for financial transactions
  - Transit - \$766,000 reduction through bus midlife refurbishment and replacement strategies
  - Transportation Operations - \$580,000 reduction through alternative work strategies and initiatives
  - Edmonton Police Service - \$1,072,000 cost avoidance through organizational realignment and productivity improvements in IT, the police library and professional standards.



# Budget Strategies

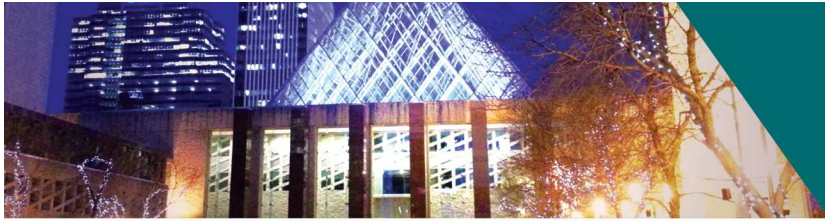
## – Revenue generation

- Community Standards - \$1,000,000 increased cost recovery
- Community & Recreation Facilities - \$300,000 increase through improved marketing resulting in increased sponsorship and higher attendance
- Client Financial Services - \$220,000 increase through renegotiation of City's procurement card contract terms

## – Budget Management

- Community Strategies & Development - \$500,000 reduction through restructuring and reorganization leading to reduction of vacant positions and reduction of consulting services

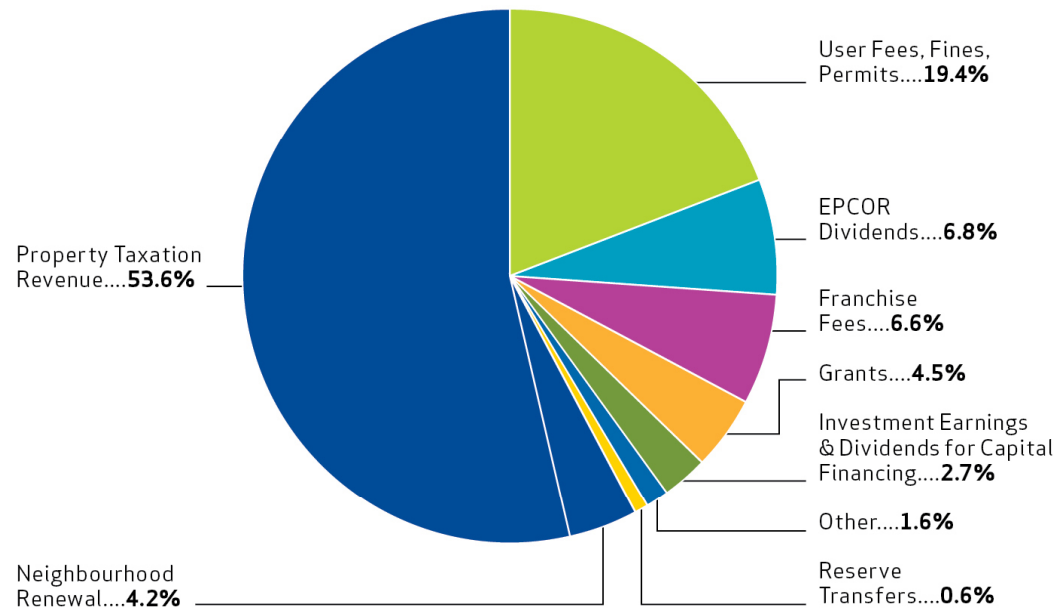




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## WHERE THE MONEY COMES FROM<sup>1</sup>



### NOTE

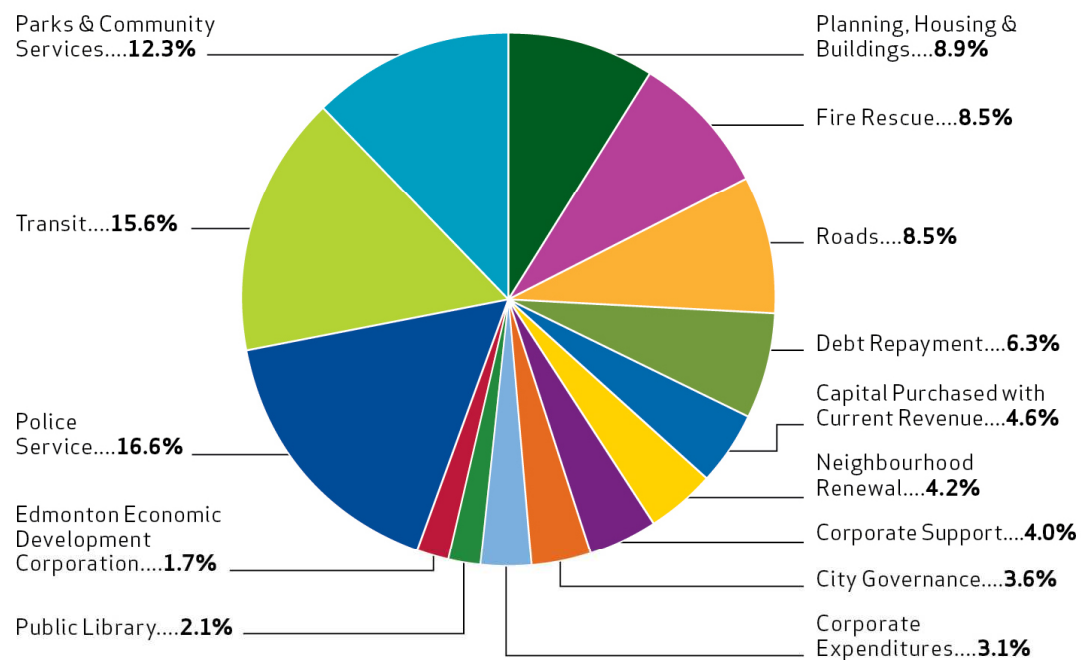
<sup>1</sup> Revenues and expenditures associated with operating City utilities are not included in the charts.



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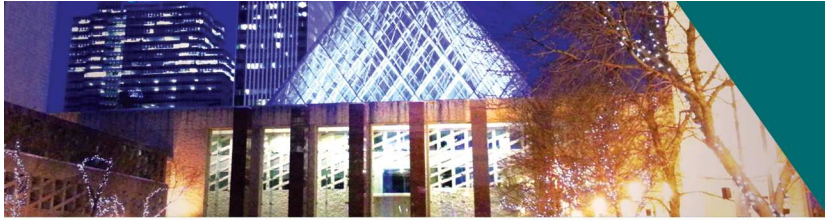
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## WHERE THE MONEY IS SPENT<sup>1</sup>



### NOTE

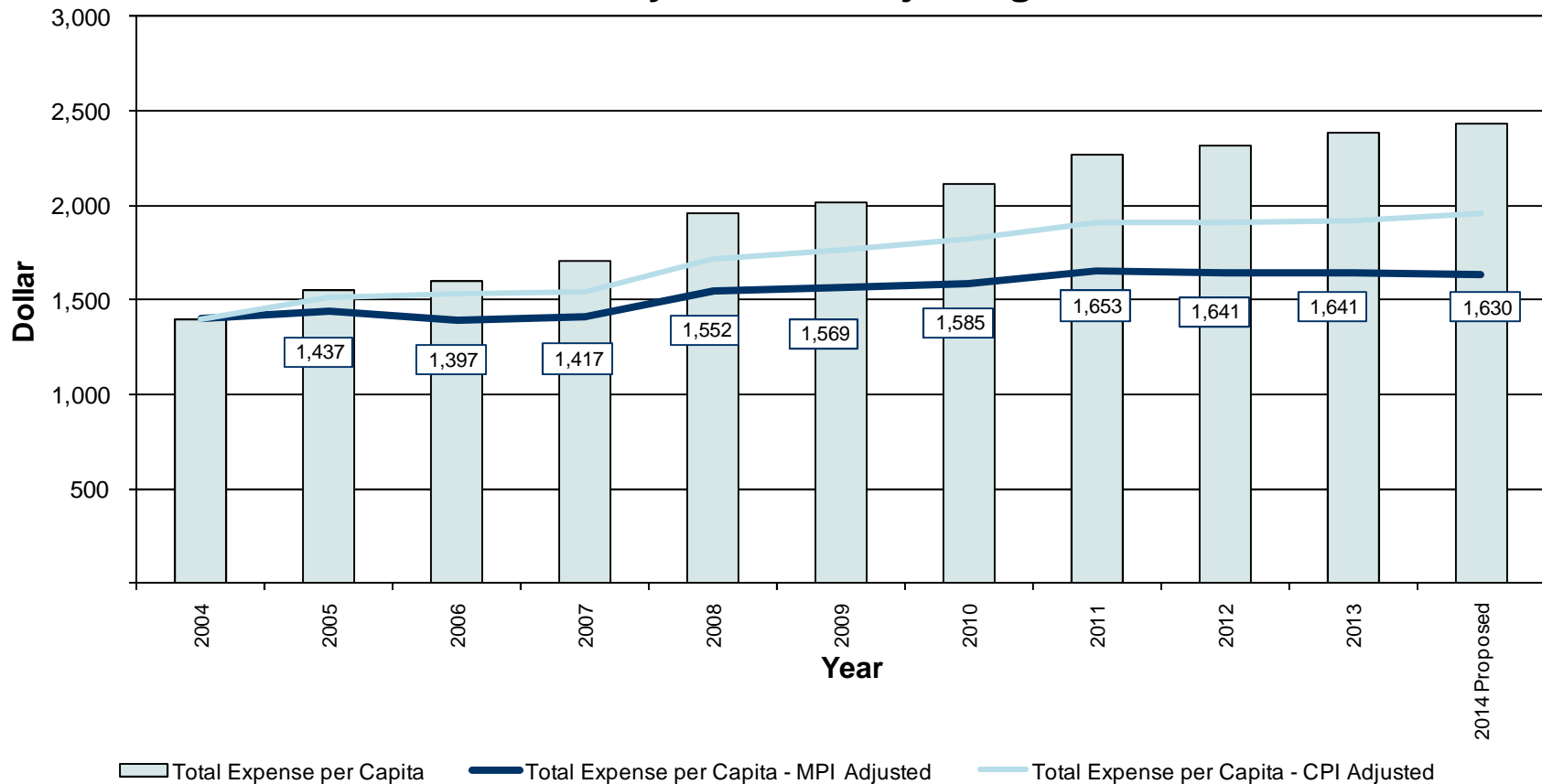
<sup>1</sup> Revenues and expenditures associated with operating City utilities are not included in the charts.



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**While Expense Per Capita has been rising, it has remained relatively flat after adjusting for MPI**





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## Impact of the proposed 2014 tax increase and utility rate increase on a Typical Homeowner (\$364,000 Assessed Value)

	2013 Budget	2014 Budget	Annual Impact
Municipal Services	\$ 1,819	\$ 1,896	\$ 77
Neighbourhood Renewal	105	134	29
<b>Total Property Tax Bill<sup>1</sup></b>	<b>1,924</b>	<b>2,030</b>	<b>106</b>
Stormwater Drainage <sup>2</sup>	101	111	10
Sanitary Drainage (Collection & Transmission) <sup>3</sup>	245	261	16
Waste Management <sup>4</sup>	424	450	26
<b>Total Utility Bill</b>	<b>770</b>	<b>822</b>	<b>52</b>
<b>Total Municipal Services</b>	<b>\$ 2,694</b>	<b>\$ 2,852</b>	<b>\$ 158</b>

<sup>1</sup> The Municipal Services increase is based on a proposed 4.0% tax rate increase and the Neighbourhood Renewal increase is based on a proposed dedicated tax increase of 1.5% for an overall increase of 5.5%. Total Property Tax Bill is based on a home assessed at \$364,000. The typical homeowner property tax bill would be \$2,030 per year or \$169 per month.

<sup>2</sup> For 2014, the Proposed Stormwater Drainage Utility Fee is based on an average residential lot size of 560 m<sup>2</sup>.

<sup>3</sup> For 2014, the Proposed Sanitary Drainage (Collection & Transmission) Utility Fee is based upon an annual water consumption of 184.8 m<sup>3</sup>.

<sup>4</sup> For 2014, the Proposed Waste Management Utility Fee is based on a single family residential charge of \$37.48 per month.





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# Questions?