

Corporate Expenditures & Revenues

Overview

Corporate Expenditures & Revenues contain revenues and expenditures of a nature which are not tied to a specific service delivery program but do accrue to the entire Corporation. The four corporate program areas are:

- **Capital Project Financing.** This program includes corporate revenues directed specifically to capital (investment earnings, Ed Tel Endowment dividend and Gold Bar Transfer fees), allocates funding for capital projects on a pay-as-you-go (PAYG) basis and provides for repayment of outstanding tax-supported debt. The budget also includes South LRT (SLRT) grant revenues and debt charges and revenues and debt servicing costs relating to local improvements.
- **Corporate Expenditures.** This program includes expenses pertaining to Council and corporate contingencies, risk management insurance claims/recoveries, and support for city activities and partnerships.
- **Corporate Revenues.** This program includes revenues of a corporate nature used to partially offset the corporate tax levy requirements. The revenues are from sources such as EPCOR dividends and franchise fees, gas franchise fees, tax penalties, tax certificates, tag and fine revenue, other dividends/contributions and amounts drawn from corporate reserves.
- **Taxation Expenditures.** This program includes expenses related to property tax levies such as appeals, bad debts and loss on the sale of tax properties sold. The expenses are partially offset by supplementary taxes levied during the year.



Program—Capital Project Financing

Approved 2014 Budget Summary

	2012 Actual	2013 Budget	2014 Budget	\$ Change '13-'14	% Change '13-'14
Revenue & Transfers					
SLRT Grant Revenues	\$ 43,605	\$ 43,605	\$ 43,605	\$ -	-
Investment Earnings	26,300	22,843	24,860	2,017	8.8
Ed Tel Endowment Fund Dividend	27,712	21,461	24,700	3,239	15.1
Local Improvement Revenues	9,095	9,472	9,967	495	5.2
Gold Bar Transfer Fees	12,250	10,000	6,400	(3,600)	(36.0)
Transfer from Reserves/Surplus	-	-	-	-	-
Total Revenue & Transfers	118,962	107,381	109,532	2,151	2.0
Expenditure & Transfers					
Transfer to Capital -					
PAYG Funding	72,430	80,101	78,863	(1,238)	(1.5)
Tax-supported Debt Charges	54,532	64,807	76,789	11,982	18.5
SLRT Debt Charges	44,570	44,555	44,547	(8)	(0.0)
Local Improvement Debt Charges	8,948	9,565	9,819	254	2.7
Net Transfer to LRT Reserve	4,153	4,160	4,168	8	0.2
Investment Related Expenses	1,534	1,250	1,250	-	-
Transfer to Reserves	4,690	-	148	148	-
Subtotal	190,857	204,438	215,584	11,146	5.5
Intra-municipal Recoveries	-	-	-	-	-
Total Expenditure & Transfers	190,857	204,438	215,584	11,146	5.5
Net Operating Requirement	\$ 71,895	\$ 97,057	\$ 106,052	\$ 8,995	9.27
Full-time Equivalents	-	-	-	-	-

Budget Changes for 2014 (\$000)

Revenue & Transfers - Changes

In June 2009 Council approved a strategy to redirect more volatile revenue streams of investment earnings, Gold Bar transfer fees and Ed Tel Endowment Fund dividend, to fund capital on a pay as you go basis. Further details are provided in Supplementary Information.

Gold Bar Transfer Fees \$(3,600)

Gold Bar Transfer fees are set by the master agreement with EPCOR. In accordance with the agreement, the 2014 fee is lower by \$3,600 to \$6,400.

Program—Capital Project Financing

Revenue & Transfers - Changes (Con't)

Ed Tel Endowment Fund Dividend \$3,239

The Ed Tel Endowment Fund dividend is determined by the Fund Bylaw. The dividend rate is 5% and is determined in conjunction with the investment policy of the fund as well as with capital market expectations going forward. In 2013, the Fund market value at June 30, 2012 was more than 10% below the Inflation Adjusted Principal, therefore, according to the Bylaw, the 2013 Annual Dividend was reduced by 25% from the prior year. The Fund value at June 30, 2013 was within the value corridor, triggering a regular dividend for 2014.

Investment Earnings \$2,017

Increase in earnings is due to higher fund balances in the working capital funds over the prior year, resulting in increased earnings.

Expenditures & Transfers - Changes

PAYG Funding \$(1,238)

Decrease is due to lower Gold Bar transfer fee and less excess tax-levy collected in advance of debt servicing related to the Southeast to West LRT Land, Walterdale Bridge, and EPS Northwest Campus projects, which is allocated to fund PAYG. This is partially offset by increases to the Ed Tel Endowment dividend and investment earnings.

Tax-supported Debt Charges \$11,982

The increase is due to approved borrowing relating to ongoing projects including the Multi-Purpose Recreation Centre's and Valley Zoo, as well as new debt funded projects approved in the 2012-14 capital budget. The budget anticipates a slight interest rate increase for new debt.

Supplementary Information

Local Improvements

Timing differences exist within any year between the local improvement revenues coming from the local improvement tax and the related debt servicing expenditures. However, over time these revenues and expenditures generally offset each other.

Investment Earnings

Investment earnings are expected to generate \$49.6 million in 2014, including the investment income distribution from the Ed Tel Endowment Fund. The budget is based on a longer term expectation for rates which are subject to ongoing market influences. Investment earnings are directed to capital through PAYG capital funding, which is consistent with the budget strategy to shift the volatility of certain revenue streams to capital.

Tax-supported Debt Charges

The 2014 Budget includes debt servicing for existing tax-supported debt as well as new debt borrowed in the year to fund approved capital expenditures for Southeast to West LRT Land, EPS Northwest Campus, and the Walterdale Bridge.

Program—Capital Project Financing

Supplementary Information (continued)

SLRT Grant Revenues and SLRT Debt Charges

The Federal gas tax rebates (NDCC - New Deal for Cities and Communities) are directed to fund the SLRT debt charges, with any shortfall funded from the LRT Reserve.

SLRT Grant Revenues and Debt Charges Reconciliation

\$ 43,605	SLRT Grant Revenues
(44,547)	SLRT Debt Charges
5,110	Tax allocation for LRT (annual strategy initiated in 2006)
(4,168)	Net transfer to LRT Reserve
\$ -	Net Operating Requirement

Pay-As-You-Go (PAYG) Funding

In June 2009 Council approved a strategy to redirect more volatile revenue streams of investment earnings, Gold Bar transfer fees and Ed Tel Endowment Fund dividend, to fund capital on a pay as you go basis.

PAYG Capital Funding Source Details

\$ 24,860	Investment Earnings
(1,250)	Investment Earnings expenses and interest allocation to reserves
6,400	EPCOR Gold Bar Transfer Fees
24,700	Ed Tel Endowment Fund Dividend
5,855	Tax-supported debt funding strategy allocation for PAYG Capital
7,424	Excess tax-levy allocated to PAYG Capital (1)
19,300	Excess Provincial residential education tax-levy (2)
(8,426)	Adjustment to PAYG funding (3)
\$ 78,863	Earnings Available

(1) From 2012 to 2014, the difference between the tax-levy raised to fund the Southeast to West LRT Land, Walterdale Bridge, and EPS Northwest Campus projects and the forecasted debt servicing is to be allocated to fund capital on a PAYG basis.

(2) The excess provincial residential tax-levy of \$19.3 million collected in 2013 was redirected to fund PAYG capital on an on-going basis.

(3) The adjustment to PAYG funding includes budget amounts to fund expenditures that have been transferred from capital to operating.

Gold Bar Transfer Fees

As per the Master Agreement the transfer fee of \$75 million is to be paid over 7 years as follows:

\$ 16,500	2009
15,250	2010
14,500	2011
12,250	2012
10,000	2013
6,400	2014
100	2015
\$ 75,000	Gold Bar Transfer Fees

Program—Corporate Expenditures

Approved 2014 Budget Summary

	2012 Actual	2013 Budget	2014 Budget	\$ Change '13-'14	% Change '13-'14
Revenue & Transfers					
External Debt Recovery	\$ 768	\$ 768	\$ 768	\$ -	-
Risk Management	447	277	378	101	36.5
Total Revenue & Transfers	1,215	1,045	1,146	101	9.7
Expenditure & Transfers					
Financial strategies	3,293	10,836	28,621	17,785	164.1
Risk Management	6,523	7,135	7,149	14	0.2
Northlands Subsidy for Rexall Place	2,569	2,618	2,689	71	2.7
Income Replacement & Supplementary Management					
Pension	1,822	1,035	1,457	422	40.8
External Debt	779	779	778	(1)	(0.1)
Management Initiatives	410	704	704	-	-
Council Contingency	335	700	1,450	750	107.1
Sundry	(888)	400	400	-	-
Waste RE - Solutions Edmonton	-	755	332	(423)	(56.0)
Edmonton Indy Car Race	1,833	-	-	-	-
Senior Homeowners Grant	1,327	1,070	-	(1,070)	(100.0)
Art Gallery of Alberta	1,057	-	-	-	-
Transfer to Reserves	1,802	-	-	-	-
Subtotal	20,862	26,032	43,580	17,548	67.4
Intra-municipal Recoveries	-	-	-	-	-
Total Expenditure & Transfers	20,862	26,032	43,580	17,548	67.4
					-
Net Operating Requirement	\$ 19,647	\$ 24,987	\$ 42,434	\$ 17,447	69.82
Full-time Equivalents					
	-	-	-	-	-

Program—Corporate Expenditures

Budget Changes for 2014 (\$000)

Expenditures & Transfers - Changes

Senior Homeowners Grant \$(1,070)

This City program is being replaced by a similar program administered by the Province of Alberta. Starting in 2013, the Province of Alberta, in conjunction with the City of Edmonton, introduced the Seniors' Deferral Program. This program allows seniors to defer the full value of their property taxes by placing it against the equity in their home. Before the introduction of this provincial program, the City of Edmonton provided an annual property tax rebate through the Senior Homeowners Grant to low-income seniors based on the incremental tax increase from the prior year.

Council Contingency \$750

Increase due to additional funding related to the SPCA building demolition of \$750.

Supplementary Information

Risk Management

Revenues include payments received from other external Boards and Authorities for insurance premiums. Expenditures are for claim payments and insurance premiums.

External Debt Recovery and External Debt

Includes payments to be received for funding provided to external parties (Edmonton Soccer Centre), and debt payments made with respect to that financing. Net operating requirement of \$10 is the result of an agreement to allow the repayment of the funding over a longer time frame than the term of the debt servicing requirement.

Financial Strategies

The 2014 budget for financial strategies provides flexibility for unknown amounts. This budget will be redistributed to the appropriate programs as factors become known.

Program—Corporate Revenues

Approved 2014 Budget Summary

	2012 Actual	2013 Budget	2014 Budget	\$ Change '13-'14	% Change '13-'14
Revenue & Transfers					
EPCOR Dividends	\$ 141,021	\$ 141,021	\$ 141,021	\$ -	-
EPCOR Franchise Fees	66,924	70,290	73,045	2,755	3.9
Gas Franchise Fees	50,483	53,634	56,468	2,834	5.3
Tax Penalties & Certificates	11,805	10,280	11,410	1,130	11.0
Tag/Fine Revenue	7,925	10,965	10,965	-	-
Business Licensing	9,998	9,930	9,930	-	-
Sanitary Franchise Fee	6,740	7,704	8,389	685	8.9
Central Management Charges	2,136	3,186	3,703	517	16.2
Land Enterprise Dividends	3,397	4,585	1,315	(3,270)	(71.3)
Other Revenues	1,704	877	1,156	279	31.8
Drainage Dividends	2,050	-	-	-	-
Reserves & Surplus	3,827	-	80	80	100.0
Total Revenue & Transfers	<u>308,010</u>	<u>312,472</u>	<u>317,482</u>	<u>5,010</u>	<u>1.6</u>
Expenditure & Transfers					
Transfer to Reserves	-	-	-	-	-
Subtotal	-	-	-	-	-
Intra-municipal Recoveries	-	-	-	-	-
Total Expenditure & Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Operating Requirement (Contribution)	\$ (308,010)	\$ (312,472)	\$ (317,482)	\$ (5,010)	1.6
Full-time Equivalents	-	-	-	-	-

Budget Changes for 2014 (\$000)

Revenue & Transfers - Changes

EPCOR Franchise Fees \$2,755

Increase is due to volume and inflationary increases over the prior year. The increase in franchise fees is comprised of \$1,841 for power, \$555 for wastewater treatment and \$359 for water services.

Gas Franchise Fees \$2,834

Increase in gas franchise fees is due to a projected volume increase and growth in 2014.

Program—Corporate Revenues

Revenue & Transfers - Changes (Con't)

Tax Penalties & Certificates \$1,130

The increase in tax penalties arises from increased rates in 2013 and an increased amount of overdue accounts.

Sanitary Franchise Fee \$685

The increase is due to greater Sanitary net income anticipated for 2014 over the prior year. The fee is based on 8% of qualifying revenues as determined by Council through the approved Drainage Services Utility Fiscal Policy (C304C). The increase in Sanitary net income is resulting from recommended increases in customer rates in the utility's Annual Rate Filing, which is to be approved by Council through the Drainage Services 2014 proposed budget.

Central Management Charges \$517

Increase is primarily due to additional amount of \$414 charged to Current Planning. These are centrally incurred administrative charges to support enterprise, utility, and Current Planning activities.

Land Enterprise Dividends \$(3,270)

The decreased dividend is due to Land Enterprises 2013 projected year-end position being lower than 2012. The decline in position arises from decreased sales activity during 2013 as the enterprise continues to purchase and hold land for future development or sale. Land Enterprise operates on a continuous cycle with respect to its land development and sale activities. Inventory and sales levels fluctuate dependant on the availability of land inventory and the demand for redeveloped land in the market.

Supplementary Information

EPCOR Dividends

The annual EPCOR Dividend has been calculated using the 2005 base of \$122,669 indexed annually for the CPI of 5 major Canadian banks as at October 1. However, going forward the EPCOR dividend has been maintained for 2014 at the 2012 value of \$141,021.

EPCOR Franchise Fees

The 2014 Budget includes franchise fees received from EPCOR for power, water and wastewater treatment.

EPCOR Franchise Fees Distribution by Source

\$ 54,910	Power
12,934	Water
5,201	Wastewater Treatment
<u>\$ 73,045</u>	EPCOR Franchise Fees

Program—Corporate Revenues

Other Revenues

The 2014 Budget of \$1,157 includes sundry revenue of \$700, loan administration fees of \$222 and \$235 in credit card rebates.

Land Enterprise and Drainage Dividends

The Land Enterprise Dividend Policy (C516B) approves an annual dividend to the City based on 25% of the prior year actual net income of the land development activity of Land Enterprise. The Land Enterprise dividend amount will be finalized based on the actual 2013 year-end position.

According to the Drainage Services Utility Fiscal Policy (C304C) amended in 2011, the Drainage Utility is exempt from paying the City a dividend starting in 2013.

Program—Taxation Expenditures

Approved 2014 Budget Summary

	2012 Actual	2013 Budget	2014 Budget	\$ Change '13-'14	% Change '13-'14
Revenue & Transfers					
Supplementary Tax	\$ 4,235	\$ 4,300	\$ 6,900	\$ 2,600	60.5
Total Revenue & Transfers	<u>4,235</u>	<u>4,300</u>	<u>6,900</u>	<u>2,600</u>	60.5
Expenditure & Transfers					
Realty tax appeals & adjustments	6,944	8,499	6,600	(1,899)	(22.3)
Uncollectible & Loss on tax sale	<u>1,104</u>	<u>1,678</u>	<u>1,000</u>	<u>(678)</u>	(40.4)
Subtotal	8,048	10,177	7,600	(2,577)	(25.3)
Intra-municipal Recoveries	-	-	-	-	-
Total Expenditure & Transfers	<u>8,048</u>	<u>10,177</u>	<u>7,600</u>	<u>(2,577)</u>	(25.3)
Net Operating Requirement	\$ 3,813	\$ 5,877	\$ 700	\$ (5,177)	(88.1)
Full-time Equivalents	-	-	-	-	-

Budget Changes for 2014 (\$000)

Revenue & Transfers - Changes

Supplementary Tax \$2,600

Projected 2013 revenue is \$5,300 (as at August 31, 2013) due to an increase in building starts over the prior year. The trend is expected to continue into 2014 resulting in increased revenue.

Expenditures & Transfers - Changes

Realty tax appeals & adjustments \$(1,899)

Decrease due to fewer appeals expected and lower success rates estimated for appellants compared to the prior year.

Uncollectible Tax & Loss on Tax Sale \$(678)

The decrease is due to outstanding accounts being resolved in 2013, reducing the amount of penalties and accounts that are estimated to be uncollectible. This City is making a continuous effort to reduce the amount of uncollectible tax accounts year over year.

Supplementary Information

Supplementary Tax

Supplementary tax is municipal tax revenue resulting from improvements completed and/or occupied during the taxation year, that were not previously assessed or taxed.

Realty Tax Appeals & Adjustments

Realty tax appeals and adjustments are municipal tax adjustments for the current year resulting from court decisions, assessor corrections and exempt status changes.