

# Corporate Expenditures & Revenues

## Overview

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

- **Capital Project Financing.** This program, which 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
- **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 corporate revenues 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.
- **Automated Enforcement.** This program collects revenues from automated photo enforcement and distributes the revenues to the Traffic Safety and Automated Enforcement Reserve. The reserve will fund the annual expenses for the Office of Traffic Safety, the budgeted allocation to Edmonton Police Services, other operating and capital traffic safety initiatives and potential third- party community infrastructure priorities.



# Program—Capital Project Financing

## Approved 2015 Budget Summary

	2013 Actual	2014 Budget	2015 Budget	\$ Change '14-'15	% Change '14-'15
<b>Revenue &amp; Transfers</b>					
SLRT Grant Revenues	\$ 43,904	\$ 43,605	\$ 44,477	\$ 872	2.0
Investment Earnings	33,598	24,860	31,823	6,963	28.0
Ed Tel Endowment Fund Dividend	21,461	24,700	28,644	3,944	16.0
Local Improvement Revenues	9,151	9,967	10,971	1,004	10.1
Gold Bar Transfer Fees	10,000	6,400	100	(6,300)	(98.4)
Transfer from Interim Financing Reserve	-	-	13,144	13,144	-
<b>Total Revenue &amp; Transfers</b>	<b>118,114</b>	<b>109,532</b>	<b>129,159</b>	<b>19,627</b>	<b>17.9</b>
<b>Expenditure &amp; Transfers</b>					
Transfer to Capital -					
PAYG Funding	88,039	105,989	120,468	14,479	13.7
Tax-supported Debt Charges	64,189	78,749	85,340	6,591	8.4
SLRT Debt Charges	44,555	44,547	44,539	(8)	(0.0)
Self-supported Debt Charges	-	-	13,144	13,144	-
Local Improvement Debt Charges	9,413	9,819	11,230	1,411	14.4
Net Transfer to LRT Reserve	4,460	4,168	5,048	880	21.1
Investment Related Expenses	1,364	1,250	1,250	-	-
Transfer to Tax-Supported Debt Reserve	618	-	-	-	-
Transfer to Local Improvement Reserve	-	148	(259)	(407)	(275.0)
Subtotal	212,638	244,670	280,760	36,090	14.8
Intra-municipal Recoveries	-	-	-	-	-
<b>Total Expenditure &amp; Transfers</b>	<b>212,638</b>	<b>244,670</b>	<b>280,760</b>	<b>36,090</b>	<b>14.8</b>
<b>Net Operating Requirement</b>	<b>\$ 94,524</b>	<b>\$ 135,138</b>	<b>\$ 151,601</b>	<b>\$ 16,463</b>	<b>12.18</b>
<b>Full-time Equivalents</b>	-	-	-	-	-

## Budget Changes for 2015 (\$000)

### Revenue & Transfers - Changes

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

#### SLRT Grant Revenues \$872

New funding agreement with the Province provides a 2% increase in 2015.

#### Investment Earnings \$6,963

Increase in earnings is due to higher fund balances and greater rate of return over the prior year.

# Program—Capital Project Financing

## Revenue & Transfers - Changes (Con't)

### Ed Tel Endowment Fund Dividend \$3,944

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. The fund value at June 30, 2014 was within the value corridor, triggering a regular dividend for 2015.

### Local Improvement Revenues \$1,004

Increase due to more local improvement work being completed in 2014 than the prior year. Revenue on new projects is recognized when the project is complete, and amounts are collected in subsequent years.

### Gold Bar Transfer Fees \$(6,300)

Gold Bar Transfer fees are set by the master agreement with EPCOR. In accordance with the agreement, the 2015 fee is lower by \$6,300 to \$100, which represents the final payment.

### Transfer from Interim Financing Reserve \$13,144

See discussion of self-supported debt charges below.

## Expenditures & Transfers - Changes

### PAYG Funding \$14,479

Increase is due to higher investment earnings, Ed Tel Endowment dividends and tax-levy collected in advance of debt servicing related to certain capital projects, which is allocated to fund PAYG. These increases are partially offset by the decrease in Gold Bar transfer fees.

### Tax-supported Debt Charges \$6,591

Increase is due to approved borrowing relating to ongoing projects including the Multi-Purpose Recreation Centres, Walterdale bridge, the Valley Line LRT as well as new debt funded projects in the 2015-18 capital budget. The budget anticipates a slight interest rate increase for new debt.

### Self-supported Debt Charges \$13,144

Debt charges to be funded by revenue sources in accordance with project master agreements. Timing difference between receipt of these revenues and debt charges are accumulated in the Interim Financing Reserve.

### Local Improvement Debt Charges \$1,411

Increase due to an increase in projects in 2014 and the related debt servicing beginning in 2015.

### Net Transfer to LRT Reserve \$880

Increase due to timing differences between the revenues collected and related debt servicing charges.

## Supplementary Information

### Local Improvements

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

# Program—Capital Project Financing

## Supplementary Information (continued)

### Investment Earnings

Investment earnings are expected to generate \$58.5 million in 2015, 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 operating revenue streams to capital.

### 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

\$ 44,477	SLRT Grant Revenues
(44,539)	SLRT Debt Charges
5,110	Tax allocation for LRT (annual strategy initiated in 2006)
(5,048)	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

\$ 31,823	Investment Earnings
(1,250)	Investment Earnings expenses and interest allocation to reserves
100	EPCOR Gold Bar Transfer Fees
28,644	Ed Tel Endowment Fund Dividend
5,861	Tax-supported debt funding strategy allocation for PAYG Capital
16,290	Excess tax-levy allocated to PAYG Capital (1)
46,426	Excess Provincial residential education tax-levy (2)
(7,426)	Adjustment to PAYG funding (3)
\$ 120,468	Earnings Available

(1) The difference between the tax-levy raised to fund certain capital projects and the forecasted debt servicing is to be allocated to fund capital on a PAYG basis.

(2) The excess 2013 and 2014 provincial residential tax-levy of \$19.3 million and \$27.1 million respectively was redirected to fund PAYG capital.

(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 2015 Budget Summary

	2013 Actual	2014 Budget	2015 Budget	\$ Change '14-'15	% Change '14-'15
<b>Revenue &amp; Transfers</b>					
External Debt Recovery	\$ 768	\$ 768	\$ 768	\$ -	-
Risk Management	389	378	410	32	8.5
<b>Total Revenue &amp; Transfers</b>	<b>1,157</b>	<b>1,146</b>	<b>1,178</b>	<b>32</b>	<b>2.8</b>
<b>Expenditure &amp; Transfers</b>					
Financial strategies	11,219	18,962	41,235	22,273	117.5
Risk Management	8,087	7,149	8,661	1,512	21.1
Waste RE - Solutions Edmonton	755	-	3,900	3,900	-
Northlands Subsidy for Rexall Place	2,606	2,689	2,669	(20)	(0.7)
Income Replacement & Supplementary Management Pension	1,459	1,457	1,484	27	1.9
External Debt	779	778	778	-	-
Management Initiatives	575	704	704	-	-
Council Contingency	284	700	700	-	-
Sundry	1,545	400	400	-	-
Griesbach Royal Canadian Airforce Commemorative Park			50		
EEDC Film Fund	4,185	-	-	-	-
Seniors' Assisted Transportation	400	-	-	-	-
Jerry Forbes Centre	246	-	-	-	-
Aviation Museum Operations	96	-	-	-	-
PPCLI 100th Anniversary	50	-	-	-	-
Senior Homeowners Grant	1,035	-	-	-	-
Ukrainian Archives & Museum	1,000	-	-	-	-
Transfer to Reserve - Industrial Servicing Fund	-	-	810	810	100.0
Transfer to Reserves - Northlands Capital	1,146	-	-	-	-
Subtotal	35,467	32,839	61,391	28,552	86.9
Intra-municipal Recoveries	-	-	-	-	-
<b>Total Expenditure &amp; Transfers</b>	<b>35,467</b>	<b>32,839</b>	<b>61,391</b>	<b>28,552</b>	<b>86.9</b>
<b>Net Operating Requirement</b>	<b>\$ 34,310</b>	<b>\$ 31,693</b>	<b>\$ 60,213</b>	<b>\$ 28,520</b>	<b>90.0</b>
<b>Full-time Equivalents</b>					
	-	-	-	-	-

# Program—Corporate Expenditures

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## Budget Changes for 2015 (\$000)

### Expenditures & Transfers - Changes

#### Waste Re-Solutions Edmonton \$3,900

City Council approved \$3,900 for Leveraging Edmonton's Waste Management Leadership with funding from the Financial Stabilization Reserve.

#### Risk Management \$1,512

Increase in Risk Management due to an increase in the claims liability estimate, increased self retention levels and higher insurance premium costs. Insurance premium costs have increased due to higher values of the property insured.

#### Transfer to Reserve - Industrial Servicing Fund \$810

Transfer to the Industrial Servicing Fund. The transfer to reserve is equal to 50% of the incremental property tax revenue from the end-user developments.

## 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 2015 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 2015 Budget Summary

	2013 Actual	2014 Budget	2015 Budget	\$ Change '14-'15	% Change '14-'15
<b>Revenue &amp; Transfers</b>					
EPCOR Dividends	\$ 141,021	\$ 141,021	\$ 141,021	\$ -	-
EPCOR Franchise Fees	70,322	73,045	76,856	3,811	5.2
Gas Franchise Fees	57,005	56,468	63,271	6,803	12.0
Tax Penalties & Certificates	12,847	11,410	13,331	1,921	16.8
Tag/Fine Revenue	9,855	11,335	10,636	(699)	(6.2)
Business Licensing	10,051	10,240	10,640	400	3.9
Sanitary Franchise Fee	7,837	8,389	8,393	4	0.0
Central Management Charges	3,186	3,703	4,632	929	25.1
Land Enterprise Dividends	6,149	1,315	2,660	1,345	102.3
Other Revenues	3,765	1,271	1,520	249	19.6
Reserves & Surplus	16,304	-	5,855	5,855	-
<b>Total Revenue &amp; Transfers</b>	<b>338,342</b>	<b>318,197</b>	<b>338,815</b>	<b>20,618</b>	<b>6.5</b>
<b>Expenditure &amp; Transfers</b>					
Transfer to Reserves	-	-	-	-	-
Subtotal	-	-	-	-	-
Intra-municipal Recoveries	-	-	-	-	-
<b>Total Expenditure &amp; Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Requirement (Contribution)</b>	<b>\$ (338,342)</b>	<b>\$ (318,197)</b>	<b>\$ (338,815)</b>	<b>\$ (20,618)</b>	<b>6.5</b>
<b>Full-time Equivalents</b>	-	-	-	-	-

## Budget Changes for 2015 (\$000)

### Revenue & Transfers - Changes

#### EPCOR Franchise Fees \$3,811

Increase is due to volume and inflationary increases over the prior year. The increase in franchise fees is comprised of \$1,647 for power, \$1,316 for water services and \$848 for wastewater treatment.

#### Gas Franchise Fees \$6,803

Increase in gas franchise fees is due to a projected volume increase and growth in 2015.



# Program—Corporate Revenues

## Revenue & Transfers - Changes (Con't)

### Tax Penalties & Certificates \$1,921

The increase in tax penalties arises from an expected increase in the number of overdue accounts.

### Tag and Fine Revenue \$(699)

Decrease due to the implementation of the new parking management system and the loss of parking stalls due to downtown construction projects. The new system is expected to create greater compliance and will also provide for a grace period to allow parkers become familiar with the system.

### Central Management Charges \$929

Increases in the charges for Drainage Services \$350, Waste Management \$320 and Current Planning \$259. These are centrally incurred administrative charges to support enterprise, utility, and Current Planning activities.

### Land Enterprise Dividends \$1,345

Increase is due to Land Enterprises 2014 projected year-end position being higher than 2013. Land Enterprise operates on a continuous cycle with respect to its land development and sale activities. Inventory and sales levels fluctuate dependent on the availability of land inventory and the demand for redeveloped land in the market.

## Supplementary Information

### EPCOR Dividends

The annual EPCOR Dividend is 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 2015 at the 2012 value of \$141,021.

### EPCOR Franchise Fees

The 2015 Budget includes franchise fees received from EPCOR for power, water and wastewater treatment.

#### EPCOR Franchise Fees Distribution by Source

\$ 56,557	Power
14,250	Water
6,049	Wastewater Treatment
<b>\$ 76,856</b>	<b>EPCOR Franchise Fees</b>

### Other Revenues

The 2015 Budget of \$1,520 includes sundry and other revenues of \$1,200, \$235 in credit card rebates, and loan administration fees of \$85.

### Land Enterprise 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 2014 year-end position.



# Program—Taxation Expenditures

## Approved 2015 Budget Summary

	2013 Actual	2014 Budget	2015 Budget	\$ Change '14-'15	% Change '14-'15
<b>Revenue &amp; Transfers</b>					
Supplementary Tax	\$ 4,699	\$ 6,900	\$ 5,900	\$ (1,000)	(14.5)
<b>Total Revenue &amp; Transfers</b>	<u>4,699</u>	<u>6,900</u>	<u>5,900</u>	<u>(1,000)</u>	<u>(14.5)</u>
<b>Expenditure &amp; Transfers</b>					
Realty tax appeals & adjustments	12,854	6,600	7,500	900	13.6
Uncollectible & Loss on tax sale	(1,976)	1,000	655	(345)	(34.5)
Business tax appeals & adjustments	(47)	-	-	-	-
Subtotal	<u>10,831</u>	<u>7,600</u>	<u>8,155</u>	<u>555</u>	<u>7.3</u>
Intra-municipal Recoveries	-	-	-	-	-
<b>Total Expenditure &amp; Transfers</b>	<u>10,831</u>	<u>7,600</u>	<u>8,155</u>	<u>555</u>	<u>7.3</u>
<b>Net Operating Requirement</b>	<b>\$ 6,132</b>	<b>\$ 700</b>	<b>\$ 2,255</b>	<b>\$ 1,555</b>	<b>222.1</b>
<b>Full-time Equivalents</b>	-	-	-	-	-

## Budget Changes for 2015 (\$000)

### Revenue & Transfers - Changes

#### Supplementary Tax \$(1,000)

Projected 2014 revenue is \$5,500 (as at August 31, 2014) due to a decrease in actual building starts over the amount in the original budget. The 2015 volume is expected to be similar to 2014 adjusted for growth.

### Expenditures & Transfers - Changes

#### Realty tax appeals & adjustments \$900

Increase due to more appeals expected and higher success rates estimated for appellants compared to the prior year. Historical results show a steady increase in appeals and adjustments.

# Program—Taxation Expenditures

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## 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.

### **Uncollectible & Loss on Tax Sale**

Uncollectible and loss on tax sale expenses are arrears related to overdue accounts and seized properties, that are not likely to be collected based on current information. Due to the possible litigation and the time required to resolve these accounts the annual expense is expected to vary year to year.

# Program—Automated Enforcement

## Approved 2015 Budget Summary

	2013 Actual	2014 Budget	2015 Budget	\$ Change '14-'15	% Change '14-'15
<b>Revenue &amp; Transfers</b>					
Fines			\$ 41,000	\$ 41,000	-
<b>Total Revenue &amp; Transfers</b>	-	-	41,000	41,000	-
<b>Expenditure &amp; Transfers</b>					
Transfer to Traffic Safety & Automated Enforcement Reserve:					
Office of Traffic Safety	-	-	14,900	14,900	-
Edmonton Police Service	-	-	15,700	15,700	-
Corporate traffic safety initiatives			4,400	4,400	-
Community Facility Partner Capital Grant Program			2,900	2,900	-
Transfer to reserve (unallocated)	-	-	3,100	3,100	-
Subtotal	-	-	41,000	41,000	-
Intra-municipal Recoveries	-	-	-	-	-
<b>Total Expenditure &amp; Transfers</b>	-	-	41,000	41,000	-
<b>Net Operating Requirement</b>	\$ -	\$ -	\$ -	\$ -	-
<b>Full-time Equivalents</b>	-	-	-	-	-

## Supplementary Information

On December 5, 2014 City Council approved the Traffic Safety and Automated Enforcement Reserve. The reserve is intended to accumulate surpluses (and fund shortfalls) that may arise from the variability of photo enforcement revenues, and transparently show budgeted allocations toward:

- a) The Office of Traffic Safety
- b) Edmonton Police Services
- c) Other traffic safety initiatives (operating and capital), and
- d) Community infrastructure programs such as, but not restricted to, the Community Facility Partner Capital Grant and Community League Infragstructure Grant programs.

With establishment of this reserve, and beginning in 2015, the budget for photo enforcement revenues and transfer of the revenues to the Traffic Safety and Automated Enforcement reserve will be included within Corporate Programs. Prior information related to photo enforcement revenues and Office of Traffic Safety expenditures is included within the Transportation Services departmental budget.

# Corporate Programs

## Program - Corporate Expenditures Leveraging Edmonton's Waste Management Leadership

## New or Enhanced Service Funded

### Results to be Achieved

The Service Package would allow for the continued operation of 2492369 Canada Corporation (Waste RE-solutions Edmonton, a solely owned subsidiary of the City of Edmonton). Waste RE-solutions Edmonton is in negotiation with respect to several significant opportunities that would result in positive returns to the company and to the City of Edmonton.

The total cost of the service package is a one-time cost of \$3.9 million. This package provides the investment required by the City to continue the operations of Waste RE-solutions Edmonton.

### Description

Significant intellectual capital exists in Edmonton and Alberta with respect to a total systems approach to managing waste. Edmonton's approach to waste management is internationally recognized. Building on this reputation over the past two years has allowed Waste RE-Solutions Edmonton to pursue several opportunities internationally that are in various stages of negotiation. Continuing the work of Waste RE-solutions Edmonton will allow the company to bring those negotiations to fruition and will provide positive returns to the company and the City of Edmonton.

### Background

This service package will allow the City of Edmonton to keep pursuing the growth of the overall percentage of municipal revenues derived from non-property tax sources.

### Options

### Implications of Not Funding

The projects that are under negotiation would not be pursued to completion and work that has been done to date by Waste RE-solutions Edmonton would not be leveraged to provide a return to the City of Edmonton.

incremental (\$000)	2015				2016				2017			
	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs
New Budget	\$ 3,900	-	3,900	-	\$ (3,900)	-	(3,900)	-	\$ -	-	-	-
Annualization	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 3,9000</b>	<b>-</b>	<b>3,900</b>	<b>-</b>	<b>\$ (3,900)</b>	<b>-</b>	<b>(3,900)</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>