

Corporate Programs

Overview

Corporate Programs 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 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, 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 2013 Budget Summary

	2011 Actual	2012 Budget	2013 Budget	\$ Change '12-'13	% Change '12-'13
Revenue & Transfers					
Local Improvement Revenues	\$ 8,493	\$ 9,274	\$ 9,472	\$ 198	2.1
SLRT Grant Revenues	43,605	43,605	43,605	-	-
Gold Bar Transfer Fees	14,500	12,250	10,000	(2,250)	(18.4)
EdTel Endowment Fund Dividend	25,799	27,712	21,461	(6,251)	(22.6)
Investment Earnings	62,703	25,523	22,843	(2,680)	(10.5)
Transfer from Reserves/Surplus	-	-	-	-	-
Total Revenue & Transfers	<u>155,100</u>	<u>118,364</u>	<u>107,381</u>	<u>(10,983)</u>	<u>(9.3)</u>
Expenditure & Transfers					
Transfer to Capital -					
PAYG Funding	107,637	68,003	60,801	(7,202)	(10.6)
Tax-supported Debt Charges	47,332	59,976	67,207	7,231	12.1
SLRT Debt Charges	44,570	44,847	44,555	(292)	(0.7)
Local Improvement Debt Charges	8,513	8,815	9,565	750	8.5
Investment Related Expenses	1,094	385	1,250	865	224.7
Net Transfer to Reserves -					
LRT Reserve	4,145	3,868	4,160	292	7.5
Subtotal	<u>213,291</u>	<u>185,894</u>	<u>187,538</u>	<u>1,644</u>	<u>0.9</u>
Intra-municipal Recoveries	-	-	-	-	-
Total Expenditure & Transfers	<u>213,291</u>	<u>185,894</u>	<u>187,538</u>	<u>1,644</u>	<u>0.9</u>
Net Operating Requirement	\$ 58,191	\$ 67,530	\$ 80,157	\$ 12,627	18.7
Full-time Equivalents	-	-	-	-	-

Budget Changes for 2013 (\$000)

Revenue & Transfers - Changes

Gold Bar Transfer Fees \$(2,250)

Gold Bar Transfer fees are set by the master agreement with EPCOR. In accordance with the agreement, the 2013 fee is lower by \$2,250 to \$10,000.

EdTel Endowment Fund Dividend \$(6,251)

The EdTel 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 market value at June 30, 2012 was more than 10% below the Inflation Adjusted Principal. Therefore, according to the Bylaw, the 2013 Annual Dividend will be reduced by 25%.

Investment Earnings \$(2,680)

Decrease in earnings is due to a lower fund balance in 2013, resulting in reduced earnings.

Program—Capital Project Financing

Expenditures & Transfers - Changes

PAYG Funding \$(7,202)

Decrease is due to lower Gold Bar transfer fee, Ed Tel Endowment dividend, and reduced investment earnings. The decrease is partially offset by the difference between the tax-levy raised to fund the newly approved Southeast to West LRT Land, Walterdale Bridge, and EPS Northwest Campus projects and the forecasted debt servicing, which is allocated to fund PAYG.

Tax-supported Debt Charges \$7,231

The increase is due to additional borrowing relating to ongoing approved projects including the Multi-Purpose Recreation Centres 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.

Local Improvement Debt Charges \$750

Increased debt servicing requirements for property owner share of local improvement projects funded by debt, recoverable through local improvement levies.

Investment Related Expenses \$865

Increased use of promissory notes to manage city cash flows is expected in 2013, resulting in additional interest expense.

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 \$44.3 million in 2013, 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.

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
(44,555)	SLRT Debt Charges
5,110	Tax allocation for LRT (annual strategy initiated in 2006)
(4,160)	Net transfer to LRT Reserve
\$ -	Net Operating Requirement

Program—Capital Project Financing

Supplementary Information (continued)

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

\$ 22,843	Investment Earnings
(1,250)	Investment Earnings expenses and promissory note interest
10,000	EPCOR Gold Bar Transfer Fees as per agreement
21,461	Ed Tel Endowment Fund Dividend
	Tax-supported debt funding strategy allocation for PAYG Capital - (2003-2007 debt program)
5,784	Excess tax-levy allocated to PAYG Capital - (2012 - 2014 debt) (1)
11,389	Adjustment to PAYG funding (2)
(9,426)	
\$ 60,801	Earnings Available

(1) From 2012 to 2014, the difference between the tax-levy raised to fund the newly approved 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 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

Tax-supported Debt Charges

The 2013 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—Corporate Expenditures

Approved 2013 Budget Summary

	2011 Actual	2012 Budget	2013 Budget	\$ Change '12-'13	% Change '12-'13
Revenue & Transfers					
Risk Management	\$ 420	\$ 270	\$ 277	\$ 7	2.6
External Debt Recovery	768	768	768	-	-
Total Revenue & Transfers	<u>1,188</u>	<u>1,038</u>	<u>1,045</u>	<u>7</u>	<u>0.7</u>
Expenditure & Transfers					
Financial strategies	5,707	5,502	3,581	(1,921)	(34.9)
Northlands Subsidy for Rexall Place	2,495	2,545	2,618	73	2.9
Risk Management	6,033	7,506	7,135	(371)	(4.9)
Management Initiatives & Organizational Change	215	704	704	-	-
Sundry	468	400	400	-	-
Council Contingency	245	700	700	-	-
Income Replacement & Supplementary Management					
Pension	1,709	555	1,035	480	86.5
Edmonton Indy Car Race	1,833	1,833	-	(1,833)	(100.0)
Senior Homeowners Grant	1,293	1,260	1,070	(190)	(15.1)
South Edmonton Multicultural Centre	2,248	-	-	-	-
Seniors' Assisted Transportation	-	-	400	400	(100.0)
Jerry Forbes Centre	-	-	289	289	(100.0)
TEC Edmonton	41	-	-	-	-
Aviation Museum Operations	100	-	96	96	(100.0)
Citadel Theatre	381	-	-	-	-
External Debt	780	779	779	-	-
Waste RE - Solutions Edmonton	-	-	755	755	(100.0)
Fuel Contract	-	-	(385)	(385)	100.0
Rexall Rehabilitation	190	-	-	-	-
Transfer to Reserves	-	-	-	-	-
Subtotal	<u>23,738</u>	<u>21,784</u>	<u>19,177</u>	<u>(2,607)</u>	<u>(12.0)</u>
Intra-municipal Recoveries	-	-	-	-	-
Total Expenditure & Transfers	<u>23,738</u>	<u>21,784</u>	<u>19,177</u>	<u>(2,607)</u>	<u>(12.0)</u>
Net Operating Requirement	\$ 22,550	\$ 20,746	\$ 18,132	\$ (2,614)	(12.6)
Full-time Equivalents	-	-	-	-	-

Program—Corporate Expenditures

Budget Changes for 2013 (\$000)

Expenditures & Transfers - Changes

Edmonton Indy Car Race \$(1,833)

The Edmonton Indy Car Race will not continue beyond 2012.

Waste RE-Solutions Edmonton \$755

Total funding of \$1,087 has been approved by Council to create the Waste RE-Solutions Edmonton corporation on October 3, 2012. \$755 is budgeted for 2013 and \$332 for 2014.

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 \$11 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 2012 Budget for financial strategies provides flexibility for unknown amounts. This budget will be redistributed to the appropriate programs as factors become known.

Senior Homeowners Grant

The Senior Homeowners Grant is a rebate paid to senior homeowners in Edmonton to offset annual increases in property taxes. The rebate is based on the adjusted year over year change in property values. The Province administers the application and payment process for the program.

Program—Corporate Expenditures

Program - Corporate Programs Leveraging Edmonton's Waste Management Leadership

FUNDED

Description

The Funded Service Package is in response to the October 3, 2012 City Council motion to approve the funding agreement 2492369 Canada Corporation (Waste REsolutions, a solely owned subsidiary of the City of Edmonton) and the City of Edmonton, as outlined in the Budget/Financial Implications Section of the Financial Services and Utilities report 2012WM6405.

The total costs of the service package is a one-time cost of \$1.1 million, spread over 2013 and 2014. This package provides the initial investment required by the city to establish Waste REsolutions.

Justification

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 and provides a unique opportunity. This opportunity to pursue business relationships that leverage the City of Edmonton's experience presents a revenue opportunity to the City and will place Edmonton as a global leader in responsible waste management practices.

Service Level Impact

This service package will embark the City of Edmonton on growing the overall percentage of municipal revenues derived from non-property tax sources within three years from the launch of the project.

Impact on Other Departments

It is expected that technical expertise of Other Departments will be accessed on an as needed basis, transacted between the solely owned subsidiary and the City of Edmonton on a full cost recovery basis.

Incremental (\$000)	2013				2014				2015			
	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs
New Budget	\$ 755	-	755	-	\$ (345)	-	(345)	-	\$ (430)	-	(430)	-
Annualization	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 755	-	755	-	\$ (345)	-	(345)	-	\$ (430)	-	(430)	-

Program—Corporate Revenues

Approved 2013 Budget Summary

	2011 Actual	2012 Budget	2013 Budget	\$ Change '12-'13	% Change '12-'13
Revenue & Transfers					
EPCOR Dividends	\$ 138,420	\$ 141,021	\$ 141,021	\$ -	-
EPCOR Franchise Fees	63,023	66,890	70,290	3,400	5.1
Gas Franchise Fees	51,783	54,341	53,634	(707)	(1.3)
Tax Penalties & Certificates	9,982	10,145	10,280	135	1.3
Tag/Fine Revenue	7,871	7,900	9,650	1,750	22.2
Business Licencing	9,142	9,641	9,930	289	3.0
Sanitary Franchise Fee	5,300	6,845	7,704	859	12.5
Land Enterprise Dividends	1,606	3,623	5,913	2,290	63.2
Central Management Charges	3,079	2,136	3,504	1,368	64.0
Other Revenues	2,663	621	907	286	46.1
Drainage Dividends	1,928	2,140	-	(2,140)	(100.0)
Ambulance Dispatch Fees	748	-	-	-	-
Reserves & Surplus	36,746	-	1,920	1,920	100.0
Total Revenue & Transfers	<u>332,291</u>	<u>305,303</u>	<u>314,753</u>	<u>9,450</u>	<u>3.1</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)	\$ (332,291)	\$ (305,303)	\$ (314,753)	\$ (9,450)	3.1
Full-time Equivalents	-	-	-	-	-

Budget Changes for 2013 (\$000)

Revenue & Transfers - Changes

EPCOR Franchise Fees \$3,400

Increase is due to volume and inflationary increases over the prior year. The increase in franchise fees is comprised of \$2,149 for power, \$915 for water and \$336 for wastewater treatment.

Gas Franchise Fees \$(707)

Decrease in gas franchise fees is due to a projected decrease in consumption not fully off-set by expected growth in 2013.

Tag/Fine Revenue \$1,750

Increased fine rates are expected to increase tag and fine revenue in 2013.

Program—Corporate Revenues

Budget Changes for 2013 (\$000)

Revenue & Transfers - Changes

Sanitary Franchise Fee \$859

Increase is due to increased Sanitary net income anticipated for 2013 over the prior year.

Land Enterprise Dividends \$2,290

The increase in dividend is due to Land Enterprises 2012 projected year-end position being greater than its 2011 year-end results. The improved position arises from increased development and sales activity in the industrial land sales market, particularly Rampart and Pylypow Industrial.

Central Management Charges \$1,368

Increase is primarily due to additional amount of \$1,000 allocated to Current Planning.

Drainage Dividends \$(2,140)

Based on the revised Drainage Services Utility Fiscal Policy (June 1, 2011), Drainage will no longer pay a dividend to the City beginning in 2013.

Reserves and Surplus \$1,920

Amount includes \$1,670 for a transfer from Reserves to provide interim financing to the Quarters Community Revitalization Levy, and \$250 for Start Up Edmonton funding.

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 2013 at the 2012 value of \$141,021.

EPCOR Franchise Fees

The 2013 Budget includes franchise fees received from EPCOR for power, water and wastewater treatment.

EPCOR Franchise Fees Distribution by Source

\$ 53,069	Power
12,575	Water
4,646	Wastewater Treatment
\$ 70,290	EPCOR Franchise Fees

Program—Corporate Revenues

Supplementary Information

Other Revenues

The 2013 Budget of \$0.9 million includes sundry revenue of \$0.7 million and loan administration fees of \$0.2 million.

Drainage and Land Enterprise Dividends

The Drainage Services and Land Enterprise dividend amounts will be determined based on the actual 2012 year-end position.

Program—Taxation Expenditures

Approved 2012 Budget Summary

	2011 Actual	2012 Budget	2013 Budget	\$ Change '12-'13	% Change '12-'13
Revenue & Transfers					
Supplementary Tax	\$ 3,789	\$ 2,300	\$ 4,300	\$ 2,000	87.0
Total Revenue & Transfers	<u>3,789</u>	<u>2,300</u>	<u>4,300</u>	<u>2,000</u>	<u>87.0</u>
Expenditure & Transfers					
Realty tax appeals & adjustments	6,337	6,800	6,800	-	-
Business tax appeals & adjustments	60	200	-	(200)	(100.0)
Business tax bad debt provision	(177)	200	-	(200)	(100.0)
Uncollectible & Loss on tax sale	<u>3,917</u>	<u>500</u>	<u>1,678</u>	<u>1,178</u>	<u>235.6</u>
Subtotal	10,137	7,700	8,478	778	10.1
Intra-municipal Recoveries	-	-	-	-	-
Total Expenditure & Transfers	<u>10,137</u>	<u>7,700</u>	<u>8,478</u>	<u>778</u>	<u>10.1</u>
Net Operating Requirement	\$ 6,348	\$ 5,400	\$ 4,178	\$ (1,222)	(22.6)
Full-time Equivalents	-	-	-	-	-

Budget Changes for 2013 (\$000)

Revenue & Transfers - Changes

Supplementary Tax \$2,000

Projected 2012 revenue is \$4,100 (as at August 31, 2012) due to an increase in building starts over the prior year. The trend is expected to continue into 2013 resulting in increased revenue.

Expenditures & Transfers - Changes

Uncollectible Tax & Loss on Tax Sale \$1,178

The increase is due to property taxes and estimated penalties on property tax accounts that are estimated to be uncollectible.

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.

Business Tax Appeals & Adjustments and Business Tax Bad Debt Provision

Business tax was phased out over 2008-2010, therefore no additional provision amounts are expected in 2013.