

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 five corporate program areas are:

- **Corporate Expenditures:** This program includes expenses pertaining to Council and corporate contingencies, risk management insurance claims/recoveries, and support for city activities and partnerships.
- **Capital Project Financing:** This program, which includes corporate revenues directed specifically to capital such as investment earnings and the Ed Tel Endowment dividend, 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, Downtown Arena revenues and debt charges, and revenues and debt servicing costs relating to local improvements.
- **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, 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 losses 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, Edmonton Police Services, other traffic safety initiatives in the operating and capital budget and potential third-party community infrastructure priorities as approved by City Council.



Program — Corporate Expenditures

Approved 2016-2018 Budget Summary

(\$000)	2013 Actual	2014 Actual	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
Revenue & Transfers						
External Debt Recovery	\$ 768	\$ 768	\$ 768	\$ 768	\$ 768	\$ 768
Risk Management	389	299	410	995	1,015	1,035
Total Revenue & Transfers	1,157	1,067	1,178	1,763	1,783	1,803
Expenditure & Transfers						
Council Contingency	284	367	700	628	700	700
External Debt	779	778	778	777	776	775
Financial Strategies	11,219	13,211	15,423	21,469	25,271	33,549
Income Replacement & Supplementary Management Pension	1,459	1,711	1,485	1,485	1,485	1,485
Management Initiatives	575	517	704	700	700	700
Northlands Subsidy for Rexall Place	2,606	2,629	2,669	1,819	-	-
Downtown Arena Funding (redirected Northlands Subsidy)	-	-	-	909	2,728	2,728
Risk Management	8,087	8,233	8,660	9,879	10,347	10,859
Sundry	1,544	1,643	400	400	400	400
Transfer to Industrial Servicing Fund Reserve	-	-	810	1,652	2,104	2,642
Waste RE-Solutions Edmonton	755	332	-	-	-	-
EEDC Film Fund	4,185	815	-	-	-	-
Seniors' Assisted Transportation	400	-	-	-	-	-
Jerry Forbes Centre	246	-	-	-	-	-
Aviation Museum Operations	96	-	-	-	-	-
PPCLI 100th Anniversary	50	50	-	-	-	-
Seniors Homeowner Grant	1,035	-	-	-	-	-
Ukrainian Archives & Museum	1,000	-	-	-	-	-
Transfer to Northlands Capital Reserve	1,146	-	-	-	-	-
Total Expenditure & Transfers	35,466	30,286	31,629	39,718	44,511	53,838
Net Operating Requirement	\$ 34,309	\$ 29,219	\$ 30,451	\$ 37,955	\$ 42,728	\$ 52,035

Program — Corporate Expenditures

Approved 2016-2018 Budget—Budget Changes

Revenue Explanations

Risk Management

The 2016 increase is due to an increase in external insurance premium recoveries. Only minor increases are expected in 2017 and 2018 for these recoveries. The recoveries generally trend in line with third party insurance claims.

Expenditure Explanations

Northlands Subsidy for Rexall Place and Downtown Arena Funding

The Northlands Subsidy agreement expires at the earlier of 2017 or when the Edmonton Oilers NHL hockey team ceases playing hockey at Rexall Place. The Downtown Arena is scheduled to open in late 2016 and the Oilers are scheduled to begin playing at the new arena at this time, at which point the remaining 2016 portion of the subsidy and future year amounts will be redirected to cover a portion of the debt serving costs for the Downtown Arena.

Risk Management

The increase for the 2016 to 2018 period is due to an increase in self retention insurance levels and third party claims estimates.

Transfer to Industrial Servicing Fund Reserve

The transfer to reserve is equal to 50% of the incremental property tax revenue from the end-user developments. Incremental property taxes are expected to increase over 2016 to 2018.

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 about \$10,000 each year 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 budget for financial strategies provides flexibility for unknown amounts. This budget will be redistributed to the appropriate programs as factors become known.

Program — Capital Project Financing

Approved 2016-2018 Budget Summary

(\$000)	2013 Actual	2014 Actual	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
Revenue & Transfers						
Downtown Arena Revenue (non-CRL)	\$ -	\$ -	\$ -	\$ 6,642	\$ 21,971	\$ 21,971
Ed Tel Endowment Fund Dividend	21,461	24,714	28,644	32,600	35,600	37,800
Ed Tel Endowment Fund Dividend - Special	-	-	-	8,045	-	-
Gold Bar Transfer Fees	10,000	6,400	100	-	-	-
Investment Earnings	33,598	44,933	31,823	30,102	31,724	33,083
Local Improvement Revenues	9,151	11,188	10,971	10,613	11,537	12,683
SLRT Grant Revenues	43,904	44,427	44,477	43,605	43,605	43,605
External Debt Recovery	-	-	-	664	664	664
Transfer (to)/from Interim Financing Reserve	-	6,688	13,144	9,488	(3,769)	(3,304)
Total Revenue & Transfers	118,114	138,350	129,159	141,759	141,332	146,502
Expenditure & Transfers						
Investment Related Expenses	1,364	1,730	1,250	1,250	1,250	1,250
Local Improvement Debt Charges	9,413	9,482	11,230	10,794	11,216	11,266
Transfer to Capital - PAYG Funding	88,039	124,007	120,622	133,148	107,027	101,258
Self-supported Debt Charges	-	6,690	13,144	16,130	18,202	18,667
SLRT Debt Charges	44,555	44,547	44,539	44,530	44,520	44,511
Tax-supported Debt Charges	64,189	77,360	85,340	92,898	109,606	125,890
Transfer to Tax-Supported Debt Reserve	618	91	-	-	-	-
Transfer to/(from) Local Improvements Reserve	-	148	(259)	(181)	321	1,417
Transfer to LRT Reserve	4,460	4,990	5,048	4,185	4,195	4,204
Total Expenditure & Transfers	212,638	269,045	280,914	302,754	296,337	308,463
Net Operating Requirement	\$ 94,524	\$ 130,695	\$ 151,755	\$ 160,995	\$ 155,005	\$ 161,961

Program — Capital Project Financing

Approved 2016-2018 Budget—Budget Changes

Revenue Explanations

Downtown Arena Revenue (Non-CRL)

The arena is currently under construction and is expected to be completed by late 2016. Upon completion revenue from rental payments, parking, ticket surcharges, and other sources will be used to fund a portion of the debt servicing related to the arena (self-supported debt charges).

Ed Tel Endowment Fund Dividend

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.

Ed Tel Endowment Fund Dividend - Special

At June 30, 2015 the Ed Tel Endowment fund market value was \$788.7 million, 16% above the inflation adjusted principal. As the market value was greater than 15% of the inflation adjusted principal at that time, the Fund Bylaw states the fund is in a position to pay a special dividend in 2016. The amount of the dividend is calculated as 25% of the regular 2016 dividend forecasted at June 30, 2015. In September, 2015 City Council approved the payment of this special dividend.

Investment Earnings

Decrease in interest rates since October 2014 and a further reduction in the Bank of Canada key rate has caused investment earnings expectations to decline. More generally, there has been an overall downward revision to return expectations for bonds and equities as a result of the existing low interest rate and slower economic environment that currently exists.

External Debt Recovery

Payments to be received for funding provided to external parties as per agreement. The payments are used to offset related debt charges.

SLRT Grant Revenues

Funding is based on the most recent Gas Tax Fund grant application filed with the Provincial government.

Transfer to/(from) Interim Financing Reserve

The Downtown Arena revenue (non-CRL) covers a portion of the debt servicing costs for the Downtown Arena, reflected as self-supported debt charges. Any difference between the revenue and the debt servicing costs is transferred to/(from) the Interim Financing Reserve.

Expenditure Explanations

Local Improvement Debt Charges

The change in debt charges is related to lower interest rates forecasts on future borrowings.

Pay As You Go (PAYG) Funding

The increase in 2016 is due to the Ed Tel Endowment dividends and tax-levy collected in advance of debt servicing related to certain capital projects, which is allocated to fund PAYG. The transfer decreases in 2017 due to less requirement of PAYG to fund capital.

Program — Capital Project Financing

Approved 2016-2018 Budget—Budget Changes

Expenditure Explanations Continued

Debt Charges (Tax-Supported and Self-Supported)

Increase is due to approved borrowing relating to ongoing projects including the Multi-Purpose Recreation Centres, Wal-terdale bridge, Valley Line LRT, Downtown Arena as well as new debt financed projects in the 2015-2018 capital budget.

Supplementary Information

Local Improvements

Revenue on new projects is recognized when the project is complete, and amounts are collected in subsequent years. Timing differences between recognition of revenue and related debt servicing charges are accumulated in the Local Improvement reserve.

SLRT Grant Revenues and SLRT Debt Charges

The Federal Gas Tax Fund grants are directed to fund the SLRT debt charges, with any shortfall funded from the LRT Reserve. This grant is received by the Provincial government based on Federal funds allocated to this grant program.

(\$000)	2013 Actual	2014 Actual	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
SLRT Grant Revenues and Debt Charges Reconciliation						
SLRT Grant Revenues	\$ 43,904	\$ 44,427	\$ 44,477	\$ 43,605	\$ 43,605	\$ 43,605
SLRT Debt Charges	(44,555)	(44,547)	(44,539)	(44,530)	(44,520)	(44,511)
Tax allocation for LRT (annual strategy initiated in 2006)	5,111	5,110	5,110	5,110	5,110	5,110
Net transfer to LRT Reserve	(4,460)	(4,990)	(5,048)	(4,185)	(4,195)	(4,204)
Net Operating Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Downtown Arena Revenue (Non-CRL)

The arena is currently under construction and is expected to be completed by late 2016. Upon completion revenue from rental payments, parking, ticket surcharges, and other sources will be used to fund a portion of the debt servicing related to the arena (self-supported debt charges). Any difference between the revenue and the debt servicing costs is accumulated within the Interim Financing reserve. Incremental property for revenues from Downtown CRL are not used to fund this portion of the Downtown Arena debt servicing.

Program — Capital Project Financing

Approved 2016-2018 Budget—Budget Changes

(\$000)	2013 Actual	2014 Actual	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
Downtown Arena Revenues and Self-Supported Debt Charges Reconciliation (Non-CRL)						
Downtown Arena Revenues (non-CRL)	\$ -	\$ -	\$ -	\$ 6,642	\$ 21,971	\$ 21,971
Self-supported Debt Charges	-	(6,688)	(13,144)	(16,130)	(18,202)	(18,667)
Net Transfer to Interim Financing Reserve	-	6,688	13,144	9,488	(3,769)	(3,304)
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.

(\$000)	2013 Actual	2014 Actual	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
PAYG Capital Funding Source Details						
Investment Earnings	\$ 33,598	\$ 44,933	\$ 31,823	\$ 30,102	\$ 31,724	\$ 33,083
Investment Earnings expenses and interest allocation to reserves	(1,364)	(1,730)	(1,250)	(1,250)	(1,250)	(1,250)
EPCOR Gold Bar Transfer Fees	10,000	6,400	100	-	-	-
Ed Tel Endowment Fund Dividends	21,461	24,714	28,644	32,600	35,600	37,800
Ed Tel Endowment Fund Special Dividend	-	-	-	8,045	-	-
Tax-supported Debt Funding Strategy Allocation for PAYG Capital	5,784	5,855	5,861	5,872	5,877	5,884
Excess Tax-Ley Over Debt Servicing Allocated to PAYG Capital	11,556	7,685	16,290	17,779	(5,924)	(16,259)
Excess Provincial Residential Education Tax-Ley	19,300	46,426	46,426	46,426	46,426	46,426
Operating Budget Support	(9,426)	(8,426)	(7,426)	(6,426)	(5,426)	(4,426)
Operating Project Funding (approved with PAYG)	(2,870)	(1,850)	154	-	-	-
Net Operating Requirement	\$ 88,039	\$ 124,007	\$ 120,622	\$ 133,148	\$ 107,027	\$ 101,258

Program — Corporate Revenues

Approved 2016-2018 Budget Summary

(\$000)	2013 Actual	2014 Actual	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
Revenue & Transfers						
Business Licensing	\$ 10,051	\$ 9,930	\$ 10,640	\$ 10,000	\$ 10,000	\$ 10,000
Central Management Charges	3,186	3,711	4,632	3,820	3,436	3,053
EPCOR Dividends	141,021	141,021	141,021	141,021	141,021	141,021
EPCOR Franchise Fees	70,322	73,665	76,856	78,189	80,053	83,200
Gas Franchise Fees	57,005	60,117	63,271	67,257	70,272	72,837
Land Enterprise Dividends	6,149	1,463	3,160	3,785	1,396	1,617
Loan Administration Fees	257	124	85	80	70	60
Transfer from Financial Stabilization Reserve	16,304	11,485	-	1,700	1,050	375
Sanitary Franchise Fee	7,837	8,340	8,393	8,762	9,074	9,408
Sundry Revenue	3,508	3,337	1,435	1,200	1,200	1,200
Tag/Fine Revenue	9,855	10,029	11,001	11,001	11,001	11,001
Tax Certificates	1,408	1,679	1,490	1,850	1,945	2,040
Tax Penalties	11,439	11,468	11,841	13,500	13,755	14,060
Total Revenue & Transfers	338,342	336,369	333,825	342,165	344,273	349,872
Expenditure & Transfers						
Transfer to Financial Stabilization Reserve	-	-	-	1,125	-	-
Total Expenditure & Transfers	-	-	-	1,125	-	-
Net Operating Requirement	\$ (338,342)	\$ (336,369)	\$ (333,825)	\$ (341,040)	\$(344,273)	\$(349,872)

EPCOR Franchise Fees

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

The breakdown of these fees by source is:

(\$000)	2013 Actual	2014 Actual	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
EPCOR Franchise Fees						
Power	\$ 53,069	\$ 54,999	\$ 56,557	\$ 58,384	\$ 60,445	\$ 62,543
Water	12,419	13,443	14,250	13,612	13,371	13,887
Wastewater Treatment	4,834	5,223	6,049	6,193	6,237	6,770
Total EPCOR Franchise Fees	\$ 70,322	\$ 73,665	\$ 76,856	\$ 78,189	\$ 80,053	\$ 83,200

Program — Corporate Revenues

Approved 2016-2018 Budget—Budget Changes

Revenue Explanations

Business Licensing

Business licensing revenue has been relatively stable over the past years. The slowdown in the current economic environment is expected to slightly decrease business licensing revenues in 2016 at which point they are forecasted to remain stable to the end of 2018.

Central Management Charges

Central management charges allocate corporate and administrative costs to the utilities and Current Planning branch. The decrease from 2016 to 2018 is due to decreased usage of corporate and administrative services by the Current Planning branch as a result of the economic slowdown.

EPCOR Franchise Fees

Increase is due to volume and inflationary increases over the prior year. The breakdown between power, water and wastewater franchise fees is provided separately.

Gas Franchise Fees

Increase in gas franchise fees is due to a projected volume increase and growth over the three year period.

Tag and Fine Revenues

Tag and fine revenues are uncertain for 2016 to 2018 due to new parking meter technologies and construction in the downtown core. Therefore amounts have been kept consistent with 2015 levels.

Tax Penalties

Tax Penalties are expected to increase due to the great number of overdue tax accounts, which have been growing over the last few years in line with the city's population.

Expenditure Explanations

Transfer to Financial Stabilization Reserve

Fuel savings of \$1,125 in 2016 are transferred to the Financial Stabilization Reserve to fund expenses in 2017 (\$750) and 2018 (\$375) for various initiatives.

Supplementary Information

Land Enterprise Dividends

City Policy C516B - *Land Enterprise Dividend* 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 2016 Land Enterprise dividend amount will be finalized based on the actual 2015 year-end position. As the dividend paid to the City is based on 25% of the enterprises net income, dividend amounts will fluctuate with market conditions.

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. Beginning in 2012 the EPCOR dividend has been maintained at \$141,021,000.

Program — Taxation Expenditures

Approved 2016-2018 Budget Summary

(\$000)	2013 Actual	2014 Actual	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
Revenue & Transfers						
Supplementary Tax	\$ 4,699	\$ 5,644	\$ 5,900	\$ 4,200	\$ 3,900	\$ 2,500
Total Revenue & Transfers	4,699	5,644	5,900	4,200	3,900	2,500
Expenditure & Transfers						
Business Tax Appeals & Adjustments	(47)	14	-	-	-	-
Realty Tax Appeals & Adjustments	12,854	9,701	7,500	11,000	11,300	11,500
Uncollectible & Loss on Tax Sale	(1,976)	(2,125)	655	7,000	7,100	7,150
Total Expenditure & Transfers	10,831	7,590	8,155	18,000	18,400	18,650
Net Operating Requirement	\$ 6,132	\$ 1,946	\$ 2,255	\$ 13,800	\$ 14,500	\$ 16,150

Program — Taxation Expenditures

Approved 2016-2018 Budget—Budget Changes

Revenue Explanations

Supplementary Tax

Revenue is expected to decrease gradually from 2016 to 2018 due to a forecasted decrease in building starts.

Expenditure Explanations

Realty Tax Appeals & Adjustments

The 2016 increase is due to an expected increase in the assessments under appeal and an increase in assessment adjustments granted by the courts based on historical results. Only minor increases are expected in 2017 and 2018

Uncollectible & Loss on Tax Sale

The 2016 increase was due to the uncertainty on collecting the social housing grant in lieu revenue from the Province. Subsequent to the 2016-2018 budget approval by City Council, the Province announced that it would no longer fund provincially owned social housing properties. Due to this determination the social housing grant in lieu revenue will no longer be collected and the properties affected will be treated as tax exempt properties and will be excluded from the taxation base. This adjustment will be proposed to City Council as part of the Spring budget adjustment process.

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 typically arrears related to overdue accounts and seized properties, that are not likely to be collected, or fully recovered through sale of the property 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 2016-2018 Budget Summary

(\$000)	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
Revenue & Transfers				
Fines	\$ 47,800	\$ 55,100	\$ 55,100	\$ 55,100
Total Revenue & Transfers	47,800	55,100	55,100	55,100
Expenditure & Transfers				
Edmonton Police Service	18,819	20,384	20,384	20,384
Office of Traffic Safety	11,486	12,115	12,453	12,695
Road Safety Strategy - Transportation Operations	-	2,811	2,814	2,598
Road Safety Strategy - Transportation Planning	-	1,284	1,418	1,773
Corporate Traffic Safety Initiatives	4,400	4,400	4,400	4,400
Community Facility Partner Capital Grant Program	2,900	2,900	2,900	2,900
Transfer to Capital:				
Traffic Signals - Pedestrian Vehicle Safety (CM-66-2520)	2,900	4,000	4,000	4,000
Traffic Safety (CM-66-2545)	3,414	3,414	3,414	3,414
Traffic Safety Engineering Measures (CM-66-2550)	-	3,500	3,500	3,500
Community Traffic Safety Countermeasures (CM-66-2555)	-	3,700	3,900	3,900
Other	-	-	-	-
Transfer to/(from) Traffic Safety and Automated Enforcement Reserve (Unallocated)	3,881	(3,408)	(4,083)	(4,464)
Total Expenditure & Transfers	47,800	55,100	55,100	55,100
Net Operating Requirement	\$ -	\$ -	\$ -	\$ -

Program — Automated Enforcement

Approved 2016-2018 Budget—Budget Changes

Revenue Explanations

Increase in automated enforcement revenues is due to driver behavior and fine increases of 35% legislated through the provincial budget.

Expenditure Explanations

Edmonton Police Service

In 2015 City Council approved additional funding from the Traffic Safety and Automated Enforcement Reserve to fund additional officers. For 2015 \$3.1 million additional funding was approved; for 2016-2018 \$4.7 million additional funding per year was approved.

Office of Traffic Safety

The Office of Traffic Safety is approved for funding from the Traffic Safety and Automated Enforcement Reserve to cover operating expenditures. Budgets for 2016 to 2018 reflect current estimates to fund the branch.

Allocations from the reserve have been updated for amendments included in the Fall 2015 Supplemental Capital Budget Adjustment Financial Services and Utilities report CR_2881, approved on November 27, 2015.

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 automated enforcement revenues, and transparently show budgeted allocations toward:

- a) Edmonton Police Services
- b) The Office of Traffic Safety
- 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 Infrastructure Grant programs.

With establishment of this reserve, and beginning in 2015, the budget for automated enforcement revenues and transfer of the revenues to the Traffic Safety and Automated Enforcement reserve is included within Corporate Programs. Prior to the creation of the reserve the information related to automated enforcement revenues and Office of Traffic Safety expenditures were included within the Transportation Services departmental budget. The expenditures related to the Edmonton Police Service were included within the Edmonton Police Service budget.