2008 - 2017

Preliminary 10 Year Capital Investment Agenda

THE CITY OF Edmonton

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EXECUTIVE SUMMARY

Investments help achieve goals

The Preliminary 10-Year Capital Investment Agenda (Capital Investment Agenda) lays out the strategic direction for building and maintaining City of Edmonton infrastructure, based on principles approved by City Council earlier this year. Key infrastructure principles used in the development of this Capital Investment Agenda are:

- use cash for ongoing projects (e.g. maintenance and renewal);
- use borrowing for new and large projects eligible according to the rigorous criteria set out in the proposed Debt Management Fiscal Policy (DMFP);
- align projects to the new 30-year City vision and 10-year strategic goals;
- use rehabilitation funding to ensure existing assets meet acceptable standards;
- manage demand to reduce infrastructure requirements; and
- only build new infrastructure if life-cycle costs are affordable.

Today's Decisions are Tomorrow's Legacy

These principles ensure the Capital Investment Agenda incorporates only projects that help move the corporation towards its long-term vision. This approach is vital because the City has very limited funding – less than is needed to address a backlog of renewal projects and to meet the demand caused by population and economic growth.

The rigorous selection of high-priority projects that meet Council's strategic goals helps "Transforming Edmonton" into the community citizens and its leaders want and expect for a vibrant, prosperous future. This 10-year framework will guide the preparation of the 3-year Capital Budget for 2009-2011.

Allocating funding by envelopes

The Capital Investment Agenda categorized types of infrastructure into envelopes according to the type of service each infrastructure helps deliver to citizens. By focusing on services rather than departmental management areas, this Agenda guides investment decisions based on strategic goals and allows for shifting priorities. For example, this Agenda proposes funding for a greater percentage of Transit projects than for Roads projects, in response to Council's goal of shifting Edmonton's transportation modes.

Each envelope has different criteria for determining which projects are highest-priorities for the limited resources because each has inherently different parameters for evaluating "essential services".

Balancing growth and renewal infrastructure

The under-funding of infrastructure projects in the 1990s – experienced across Canada – has created a need to address capital needs on two fronts in Edmonton. The Capital Investment Agenda strikes a balance between investment requirements for growth and for renewal over the next 10 years.

For example, existing neighbourhoods are

considered essential to Edmonton's character and attractiveness. However, previous investment delays have led to about 80 neighbourhoods needing total reconstruction. Council identified neighbourhood renewal as a key priority of this plan.

At the same time, the population and economic boom over the past few years has stretched existing infrastructure to its limits. For example, demand for recreation facilities outside the core, and a shift to LRT-optimized transportation has necessitated investments in new infrastructure.

In developing the Capital Investment Agenda, the City used leading-edge asset evaluation tools to objectively prioritize infrastructure types and allocate investment needs. For example, risk and condition were factored in to determine level of renewal investment needed to maintain existing infrastructure. Council's preliminary 10-year strategic goals were factored in to the objective analysis to determine which projects help advance the overall goals of the City.

Investment needed, funding available

The Capital Investment Agenda identifies capital requirements by infrastructure envelope for the period 2008-2017, which aligns with the term of the Municipal Sustainability Initiative (MSI). The total capital investment needed for growth and renewal for the next 10 years is $27.2 billion.

Current sources of funding to 2017 total $8.1 billion, which includes the MSI grant program of $2 billion. The infrastructure shortfall is $19.1 billion, or about 70% of the total estimated need.

The Capital Investment Agenda:

- Identifies which projects are funded with currently available resources and projects that must be undertaken in the next 10 years but which do not have designated funding resources (unfunded);
- Allocates the $2 billion in MSI grants based on the principle of 40% to growth and 60% to renewal projects;
- Determines which large, growth projects are best suited for debt financing; and
- Establishes next step strategies to address unfunded high-priority projects.

Proposals for new financing for priority projects:

- Earmark a 4% property tax increase each year from 2009 to 2017 to generate $1.6 billion for the Neighbourhood Renewal program. This sustained level of funding would finance infrastructure renewal in about 15 communities per year for 10 years;
- Use $1.3 billion in tax-supported debt to fund large, new projects, including the LRT extension to NAIT and four new Recreation Centres.

In the coming months, several additional strategies will be explored and developed, if feasible, to expand the City's funding sources, including:

- private-sector support for infrastructure requirements in new neighbourhoods for services such as Fire Rescue, Recreation, Library and Parks;

- support from Transit fares for Transit-related capital requirements;
- shared support from projects initiated by the Capital Region Integrated Growth Management Board
- access to provincial funding for the River Valley Alliance to offset costs for City projects that share the same goal; and
- provincial and federal funding opportunities (e.g. the Building Canada Plan P3's) as well as other alternative revenue options identified by Canada West Foundation.

The City will pursue MSI as an ongoing source of funding beyond its termination date in 2017. In addition, the City adopts a principle of shared responsibility in certain areas. Since public transportation is deemed a beneficial focus for all orders of government, the City has specified that future extensions of the LRT infrastructure after the NAIT connection will only proceed if the following shared financing is in place:

- One-third funding from City and region;
- One-third funding from Province; and
- One-third funding from Federal Government.

In addition, as part of the adoption of the next 10-year Corporate Strategic Plan 2009-2018, the City will apply the new Strategic Goals to ensure infrastructure priorities help move the City towards its new long-term vision.

In the short term, as part of developing the 3-year Capital Budget for 2009-11, each new infrastructure project responding to growth needs will be analyzed based on Council's four planning principles. These principles, with examples of project-by-project analysis are:

- Integration - can distinct infrastructure projects be integrated to achieve cost savings, for example with recreation centres and libraries or different protection services stations.
- Innovation - is construction of new infrastructure the most cost-effective way to satisfy needs or are other models possible such as through support of private-sector providers.
- Sustainability - administration will factor in life-cycle costs for operations and capital maintenance for contemplated projects, and pursue regional cost-partnering options, to ensure long-term viability.
- Livability - new projects will be evaluated based on how well they enhance community livability as well as a variety of elements such as enhanced mobility, affordability, economic prosperity and environmental preservation.

PART 1: CURRENT STATE

SITUATIONAL ANALYSIS

A strong and accelerating economy over the past several years and a recent surge in population growth have increased the demand to extend municipal services, stressed existing infrastructure and created need for new infrastructure, especially related to services such as transit, police, transportation of goods, fire rescue and recreation.

This period of significant growth follows several years in the 1990s when infrastructure investments remained low.

Steady population growth has necessitated new infrastructure to support years of outward urban growth. However, the population growth has not kept pace with labour demand in this booming economy. This has caused labour costs to increase significantly in all sectors. At the same time, costs for materials associated with infrastructure – such as asphalt, cement, steel and fuel for equipment – have increased greater than inflation of consumer goods.

The costs for labour and materials have increased at a time when infrastructure investments are most needed. However, there has not been a corresponding increase in City revenue.

Ten year costs and revenue

This Preliminary 10-Year Capital Investment Agenda identifies total capital spending of $27.2 billion over the next decade. About $16 billion is required for new infrastructure and $11 billion is required to renew existing infrastructure (i.e. rehabilitate or replace). Current funding sources, including the Province's Municipal Sustainability Initiative (MSI) grants of $2 billion, will provide $8.1 billion, leaving $19.1 billion or 70% of unfunded projects.

A persistent capital shortfall means the City has been deferring renewal of existing infrastructure assets, even though delays increase costs, because the City does not have enough revenue to meet identified needs. The shortfall also delays the City's ability to address growth pressures.

Municipal infrastructure experts recommend that municipalities commit between 2% to 4% of their total infrastructure asset value each year to renewal. For Edmonton, with assets valued at $26.4 billion, this benchmark would translate to an annual reinvestment of between $500 million and $1 billion. Over the next ten years, based on current funding, the City will spend about $428 million annually for renewal – which is 1.6% of the asset replacement value and below the recommended 2% to 4%.

The longer that required renewal is deferred, the more expensive it becomes to bring assets back to an acceptable condition. Current reinvestment rates cannot preserve the City's existing asset inventory in its present condition, nor can current budgets keep pace with Edmonton's requirements for projected growth. Moreover, chronic under-funding is creating a growing backlog of deferred capital projects which make it a challenge for the City to maintain current service levels.

Aging assets and new demands

- Many of the City's infrastructure assets were built in the 1950s and 1970s and have exceeded half their life expectancy. The City is approaching a critical period where investment will be required to ensure Edmonton's infrastructure assets meet accepted levels of performance, maintain a satisfactory level of risk, and continue to meet the needs of citizens.
- New environmental and engineering standards – such as stringent requirements to protect water resources – as well as the City's commitment to environmental stewardship make rehabilitation and replacement even more necessary for certain classes of infrastructure assets.
- There are inherent links between the investment required for new and existing infrastructure. First, new infrastructure projects compete with existing assets for funding and add pressure on municipal budgets. Second, new investments expand the City's asset inventory, which in turn creates additional funding requirements for maintenance and renewal over the life of the asset.
- As Edmonton has grown in size and complexity, so have the issues with which it must contend. Poverty, homelessness, affordable housing, immigration, the growing urban aboriginal population, and other social issues have an impact on the City's infrastructure needs, even though these typically fall under the jurisdiction of other orders of government.

Property taxes fail to meet asset costs

Due to very limited revenue sources, municipalities rely on property taxes to cover more of the cost for current services and infrastructure. Property taxes do not change with economic conditions, as with income taxes received by the federal and provincial governments. City Council must adjust property taxes to keep pace with expanding economic demands and population growth, and compensate for the continually escalating costs of services and infrastructure.

City provides greatest impact for lowest taxes

Cities fund the main government services used by citizens every day, such as transit, parks, police, roads and libraries. Municipalities repair, build and maintain the majority of infrastructure in Canada – the infrastructure that makes services available. However, out of the total taxes that a typical Edmonton household pays each year about 5% goes to the City, while 69% goes to the federal government and 26% goes to the province *(Source: 2005 Statistics Canada Summary of Household Spending)*.

Hot Economy

Edmonton is in the midst of an economic boom

that is driving demand for new capital projects and pushing annual construction cost increases up by 16% or more.

Despite some softening of economic conditions in the latter half of 2007, and the first half of 2008, there are over $200 billion in projects planned to proceed in the Edmonton region over the next decade, which will continue to put strain on our existing assets and fuel the demand for new growth projects.

Continued workforce demand and ongoing projects contribute to increased construction and labour costs making asset rehabilitation or replacement more expensive each year. As construction or repair work is postponed, costs increase and more extensive rehabilitation is required. Reconstruction may be needed due to postponements that significantly reduce an asset's service life.

EXISTING FUNDING SOURCES

The cost to repair or build infrastructure is funded by internal sources (56%) and external sources (44%).

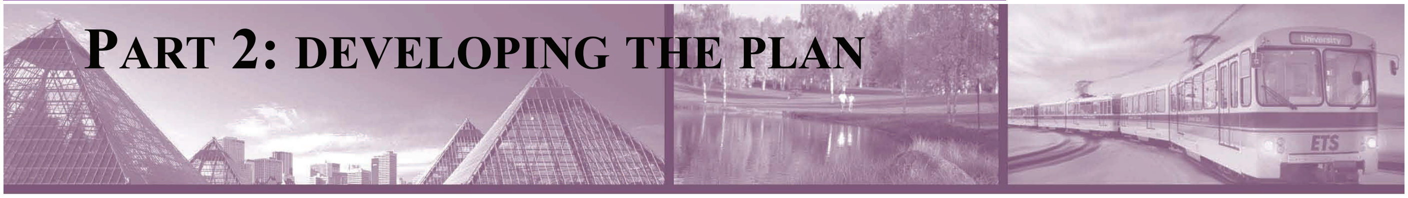
Currently the only way to increase internal funding to pay for infrastructure is to increase the tax levy to provide general financing or pay for tax-supported debt. A 1% tax levy increase would provide about $7.6 million in general financing or provide enough funding to make payments on borrowing of about $91 million with an amortization of 20 years.

The current funding model for infrastructure is not sustainable. A sustainable model would provide long-term sources of inflation-proof funding that fully funds infrastructure requirements.

Funding Sources 2008-2017

Internal Funding $4.6 billion	**External Funding $3.5 billion**
• General Financing (i.e. tax levy)	• Provincial Grants (AMIP*, MSI**)
• Debt—Tax-Supported	• Provincial Fuel Rebate
• Debt—Self-Supporting	• Federal Grants
• Retained earnings	• Developer/Partner
• Local Improvements	
• Reserves	*AMIP grants end 2010 **MSI grants end 2017

PART 2: DEVELOPING THE PLAN



OVERVIEW

The Preliminary 10-Year Capital Investment Agenda (Capital Investment Agenda) has been developed through a collaborative process with civic programs and boards and authorities that have capital requirements. The Capital Investment Agenda provides a 10-year framework that will guide the preparation of the 3-year Capital Budget for 2009-2011.

The Capital Investment Agenda is preliminary since it reflects the best available information at this time and will require updating after the City finalizes the Municipal Development Plan, Transportation Master Plan, Northeast Industrial Plan, and the Capital Regional Plans. In addition, the Capital Investment Agenda will be updated to ensure alignment with the approved Council 10-year strategic goals and the finalized Corporate Strategic Plan.

The Capital Investment Agenda's 2008-2017 time period coincides with the Municipal Sustainability Initiative (MSI) grant program. Several projects (SW Transit Garage and St. FX Fieldhouse) have already been approved by Council to use 2008 MSI funding leaving about $39 million of 2008 MSI to be allocated.

The development of the Capital Investment Agenda involved the following key activities;

- Identifies growth and renewal capital requirements by infrastructure envelope for 2008-2017;
- Identifies which projects are funded and unfunded;
- Allocates MSI grants based on Council-approved split of 40% to growth and 60% to renewal;
- Provides the method for allocating MSI grants to growth and renewal projects per envelope;
- Identifies specific projects within envelopes to fund with the MSI allocation;
- Determines which large growth projects are best suited for debt financing;
- Identifies estimated tax levy increase required to pay for Neighbourhood Infrastructure Renewal Program;
- Reviews the unfunded projects and categorizes them as high priority projects and other projects. (Unfunded high priority projects must be done in the next 10 years based on criteria established on an envelope by envelope basis.)
- Establishes next step strategies to address unfunded high priority projects.

COUNCIL-APPROVED CAPITAL PRINCIPLES

The Capital Investment Agenda incorporates the Capital Direction Setting principles approved in principle by City Council on April 16, 2008. The principles are as follows:

Financial Principles

- Use cash for ongoing projects (e.g. maintenance and renewal);
- Use borrowing for new and large projects eligible according to the rigorous criteria set out in the proposed Debt Management Fiscal Policy (DMFP);
- Use funding sources that maximize contributions from primary users of certain infrastructure (e.g. vehicle users pay for roads), excluding infrastructure supporting essential services (i.e. emergency services); and
- Fund utilities by utility rates.

Infrastructure Principles

- Align projects to new 30-year vision and 10-year strategic goals;
- Maintain what is built;
- Use rehabilitation funding to ensure that assets meet acceptable standards;
- Manage demand to reduce infrastructure requirements; and
- Only build if the life cycle costs are affordable.

ENVELOPES

The Capital Investment Agenda determines funding to envelopes that are groupings of capital requirements based on type of service. This method of categorizing infrastructure ensures the City determines funding needs based on priorities for citizens, rather than based on factors such as department groupings or previous expenditures.

For example, the envelope for Protection includes Police and Fire Rescue Services while the Neighbourhood Renewal envelope includes Neighbourhood Drainage, Neighbourhood Roads and Neighbourhood and Community Services projects related to renewing neighbourhoods.

Planning the City's 10-year capital investments using these infrastructure envelopes accelerated the process of aligning priority projects with Council's community-driven vision and goals.

The envelopes include total capital requirements for the service areas including new buildings, new technology, growth and renewal of fleet. The Building Renewal envelope includes the rehabilitation and renewal requirements of all City-owned buildings. The Corporate envelope includes the renewal requirements related to information and communication technology for all City programs, including Police and Library Services. The 11 envelope groupings are as follows:

Transit

- Transit projects (growth & renewal), bus fleet (growth & renewal), new Transit buildings.

Roads

- Roads projects (growth & renewal), Roads fleet (growth & renewal), new Roads buildings.

Neighbourhood Renewal

- Neighbourhood Roads, Neighbourhood Drainage and Neighbourhood & Community Development.

Protection

- Police projects (growth & renewal), Fire Rescue projects (growth & renewal), Police fleet (growth & renewal), Fire Rescue (growth & renewal), new Police buildings, new Fire & Rescue buildings.

Parks

- Parks projects (growth & renewal), Natural Areas, Parks fleet, new Parks buildings.

Recreation & Cultural

- Recreation projects (growth & renewal), Recreation fleet (growth & renewal), new Recreation buildings, new Public Library buildings.

Building Renewal

- Renewal of buildings for Transit, Roads, Police, Fire Rescue, Parks, Recreation, Libraries and Corporate.

Economic Development

- Planning & Development projects (Northeast Industrial, 118 Ave. Initiative, Downtown East "The Quarters", Boyle Renaissance), Edmonton Economic Development projects - Technology Business Center Joint Venture, Biotechnology Centre, Edmonton Research Park, Shaw Conference Centre.

Corporate

- Corporate Services projects (renewal), Municipal fleet (growth & renewal), Office of the City Clerk (renewal), Deputy City Manager's Office (renewal), Planning & Development (growth & renewal).

Land

- Land (development and sale of City lands and strategic land acquisition).

Utilities

- Drainage (excluding projects related to Neighbourhood Renewal) and Waste Management.

Emergency Medical Services

Emergency Medical Service projects requiring new funding in 2009 or later have not been included in the 10-Year Capital Investment Agenda due to the recent announcement by the Province that responsibility for governance and funding of these services will be transferred to the Alberta Health Services Board effective April 1, 2009. While the service delivery model has not yet been determined, it is assumed that the capital needs of Emergency Medical Services will be funded through the Alberta Health Services Board. A 10 Year Capital Plan for Emergency Medical Services will be developed for discussion with the new Board.

MUNICIPAL SUSTAINABILITY INITIATIVE (MSI) GRANTS

The City of Edmonton will receive $2 billion between 2008 and 2017 through the Province's Municipal Sustainability Initiative (MSI) grant program. The current MSI grant payment schedule is shown in the table:

MSI Payments	($millions)
2008/09	$ 92
2009/10	111
2010/11	260
2011/12	260
2012/13	260
2013/14	260
2014/15	260
2015/16	260
2016/17	260
	$ 2,023

The grant payments will be recalculated every year based on a number of variables including municipal population figures and education requisition amounts.

The grant program provides a significant revenue source to the City. However, the grants do not have an inflationary allowance. This means that the grants received each year will build and repair less and less infrastructure over time.

To illustrate this point, the grant payment received in 2016/17 of $260 million will only pay for about one-third of what it can pay for in 2008.

The MSI grant has been allocated to the envelopes on the following basis. First the MSI grant was allocated in keeping with the Council approved split of 40% to growth and 60% to renewal. Secondly, two different methodologies explained in the next two sections, were used to allocate the growth and renewal MSI to the envelopes.

The following table shows how the MSI grants for 2008-2017 are allocated to growth and renewal on an envelope basis:

MSI Allocation	Growth ($millions)	Renewal ($millions)	Total ($millions)
Transit	$ 218	$ 208	$ 426
Roads	254	220	474
Neighbourhood Renewal	-	365	365
Protection	65	-	65
Parks	73	124	197
Recreation & Cultural	106	-	106
Corporate	-	40	40
Economic Development	4	-	4
Building Renewal	-	175	175
Contingency	70	101	171
	$ 790	$ 1,233	$ 2,023

Approximately $171 million (8%) of the MSI grant has been set aside as a contingency to address emerging capital priorities.

ALLOCATING FUNDING TO GROWTH

The growth share of the MSI grants, based on the Council-approved split of 40% to growth and 60% to renewal, for 2008-2017 is $790 million.

The $790 million was allocated to growth projects within the envelopes using a methodology that incorporated Council's City Vision and emergent 10-year strategic goals. The emerging strategic direction Council developed at the April 22, 2008, Special Council meeting, was used by Branch Manager's responsible for capital investments within their programs. The process involved using Council's seven strategic themes along with historical program capital needs to develop a composite weighting mechanism. This mechanism was then used to determine the allocation of current funding and MSI funding to growth for each envelope.

Going forward, once Council's 10-year strategic goals are finalized, they will be used in a similar fashion for setting the associated 3-year capital budget.

Allocating the MSI grant to the envelopes was an important step in preparing the Capital Investment Agenda. It provided the opportunity to determine how the grant would be applied over the 10-year period.

ALLOCATING FUNDING TO RENEWAL

To enable the City to better prioritize its investment needs, Edmonton partnered with SMA Consulting to develop an innovative risk-based, decision-making model.

Edmonton is recognized around the world for its leadership in asset measurement and creation of decision-making models for infrastructure renewal.

The application of the new model was to allocate MSI dollars for renewal projects in the current 10-Year Capital Investment Agenda.

The new decision-support tool tells the City how much it will cost to maintain its infrastructure at a specific level of performance and risk. The sophisticated tool is also capable of determining how to best allocate available dollars to each infrastructure area to achieve best performance, while maintaining a satisfactory level of risk. The work builds on an earlier risk assessment process that quantified the risk of asset failure and related the risk to investment levels.

The ability to assign available funding to infrastructure needs allows the City to more effectively manage its $26.4 billion worth of infrastructure assets and to invest limited capital dollars on projects with the highest priorities. Taking a more objective and quantitative approach to allocating budget dollars also helps guide budget and investment planning, and puts City decision-makers in a stronger position to defend funding and investment requirements and decisions.

POTENTIAL DEBT FINANCED PROJECTS

Consistent with the principles approved by City Council, several large growth projects have been identified by Administration as ideal candidates for debt financing. They are the NAIT expansion of the LRT (NLRT) and four new recreation centres. The NLRT has an estimated cost of $880 million with an allocation of $60 million of MSI to fund part of the cost. The balance of $820 million could be debt financed over 30 years. Any further LRT expansion would require funding commitments from the provincial and

federal governments.

The four new multi-purpose recreation centres planned in the city are: North Central, Clareview, Meadows and Lewis Estates. The total cost budget for the four recreation centres is $480 million in 2008 dollars and is recommended by Administration for debt financing.

Other projects that may have significant debt relate to the Downtown East (The Quarters) project and the acquisition of Natural Areas. Funding sources for these are being investigated, including possible funding from a Community Revitalization Levy (CRL) for The Quarters.

EARMARKING PROPERTY TAX REVENUES FOR NEIGHBOURHOOD RENEWAL

There are approximately 353 neighbourhoods in the city, of which 80 neighbourhoods require total reconstruction. Neighbourhood renewal is at a point that requires dedicated financial resources over the next 10 years in order to deal with neighbourhoods requiring total reconstruction or significant repair work.

Administration has developed a strategy regarding the most cost effective way to approach neighbourhood renewal. The analysis has shown that a comprehensive approach consisting of reconstruction, rehabilitation and preventive maintenance is more economical than a program focussed only on full neighbourhood reconstruction, one at a time. This approach will have a coordinated roads and drainage program for those neighbourhoods where it make sense, as well as separate programs for Roads and Drainage. The reason being that road and drainage infrastructure have significantly different service lives. This comprehensive renewal program will address about 15 neighbourhoods per year, on average, over the first 10 years with work ranging from minor rehabilitation to total reconstruction.

A tax levy increase of 4% per year for the next 10 years would provide sufficient funding to renew the failing neighbourhood infrastructure. At the end of 10 years there would be enough funding built into the tax levy to fund annual neighbourhood renewal so that the City would not be faced with a similar situation in the future.

NEXT STEP STRATEGIES

Increasing the City's sources of infrastructure funding through debt financing and earmarking property tax revenues are two options identified in a study done by the Canada West Foundation for the City. These additional sources of funding are not enough to adequately address the infrastructure shortfall. In the coming months, the following strategies will be reviewed, developed and pursued to expand the City's sources of capital funding:

1. Financial modeling to determine, what amount of Transit fares, if any, could be earmarked for Transit-related capital requirements.
2. Review and analysis of other potential sources of revenue for infrastructure requirements of new neighbourhoods for services such as Fire

Rescue, Recreation, Library and Parks.

3. Investigate funding potential through the Regional Initiative for projects that have regional benefits.
4. Access funding provided to the River Valley Alliance (RVA) for projects that contribute to the RVA vision.
5. Pursue provincial and federal funding opportunities (e.g. the Building Canada Plan, P3s) as well as other alternative revenue options identified by Canada West Foundation.

In addition, as part of the adoption of the next 10-year Corporate Strategic Plan 2009-2019, Administration will rigorously apply the Strategic Goals to ensure infrastructure priorities help move the City towards its long-term vision.

In the short term, as part of developing the 3-year Capital Budget for 2009-11, each new infrastructure project responding to growth needs will be analyzed based on Council's four planning principles. These principles, with examples of project-by-project analysis are:

- Integration - can distinct infrastructure projects be integrated to achieve cost savings, for example with recreation centres and libraries or different protection services stations.
- Innovation - is construction of new infrastructure the most cost-effective way to satisfy needs or are other models possible such as through support to private-sector providers.
- Sustainability - administration will factor in life-cycle costs for operations and capital maintenance for contemplated projects, and pursue regional cost-partnering options, to ensure long-term viability.
- Livability - new projects will be evaluated based on how well they enhance community livability as well as a variety of elements such as enhanced mobility, affordability, economic prosperity and environmental preservation.

PART 3: INVESTING IN INFRASTRUCTURE

The capital investment needed by the City to address infrastructure growth and renewal requirements for the next ten years totals $27.2 billion. Current sources of funding total $8.1 billion which includes the Municipal Sustainability Initiative (MSI) grant program of $2.0 billion. The remaining $19.1 billion of unfunded projects have been divided into two groups: unfunded high priority projects and unfunded other. A summary of the Preliminary 10-Year Capital Investment Plan is provided in the table below:

2008-2017					
	Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ 3.0	$ 0.8	$ 5.0	$ 7.4	$ 16.2
Renewal	3.1	1.2	5.2	1.5	11.0
Total	**$ 6.1**	**$ 2.0**	**$ 10.2**	**$ 8.9**	**$ 27.2**

Shortfall $19.1 billion

The unfunded high priority projects have been identified by programs as projects that must be done in the next 10 years. The definition of high priority projects varies by envelope and are listed below for all envelopes with the exception of Neighbourhood Renewal, Land and Utilities.

Roads – necessary for goods movement, to meet legal requirements, contract agreements or obligations to fill in links to other corridors (e.g., Anthony Henday).

Transit - aligns with Council Vision, moves people, meets guidelines for procedures (e.g., signals, liability).

Protection - required to meet Council endorsed service levels/response times and identified in Fire/Rescue Master Plan.

Parks - minimum base level parks, linked to integrated plans, required by new neighbourhoods, P3 school sites and to meet City standards.

Recreation & Cultural - identified in Council approved master plans. Libraries - align with City Council and Library Board Strategic vision and direction, required to meet service level standards, projects that have partial funding.

Economic Development - aligns with Council Vision.

Corporate - required to maintain levels of support services and infrastructure.

Building Renewal - required for renewal of City-owned facilities and aligns with Council principle of “maintain what is built”.

Infrastructure Shortfall

There are a number of factors that have contributed to the significant infrastructure shortfall. The major contributing factors are:

- Strong economy and surge in population growth over the past few years has increased demand for new infrastructure and stressed existing infrastructure.
- Inflation increases have pushed up construction and labour costs making the cost of new assets and asset rehabilitation or replacement more expensive each year. Postponing construction or repair work results

in increased costs and more extensive rehabilitation or even reconstruction being required as the asset's service life shortens.

- Current sources of funding are not indexed, which means that they are more or less flat for the next ten years.
- Many of the City's infrastructure assets were built in the 1950s or 1970s and have exceeded half their life expectancy.

Council's 10-Year Strategic Goals

Each of the infrastructure envelopes makes different contributions to Council's six Strategic Goal themes. After Council's Strategic Goals are approved, the Capital Investment Agenda will be refined to ensure alignment. The following section describes alignment between the preliminary Strategic Goal themes and the contributions from each infrastructure envelope.

Transforming Edmonton's Urban Form

The projects contained in the infrastructure envelopes for Neighborhood Renewal, Protection, Parks and Recreation and Culture make the greatest contributions to this goal.

- Neighborhood Renewal - Renewal investment in this envelope is directed at renewing existing neighborhoods. In making these investments, the neighborhoods will be equipped with renewed foundations that better enable the move toward more medium and high density land use possibilities and priorities.
- Protection – Funded growth and renewal projects for Fire stations in this current plan include the priority stations deemed necessary to help manage growth using existing service standards. As more density is introduced, investments in Fire Fleet and Apparatus will be made to allow the existing fire stations to be better fitted to address these density changes.
- Parks – Growth and renewal investments in Parks over this planning horizon, in part, contributes to this goal by: expanding and conserving natural areas through acquisitions; adding new parks and rehabilitating existing parks. This should increase park access for neighborhoods, which is a transforming element that is envisioned for this strategic goal.
- Recreation and Culture – Growth and Renewal investments contained in this envelop contributes to this goal in many ways. By strategically placing new libraries, recreation centers, arenas next to the medium and higher density neighborhoods, proximity goals are improved. This in turn improves access and therefore reduces a traditional barrier for this service offering.

Funded requirements for Neighbourhood Renewal, Protection, Parks and Recreation and Cultural represent 20.4% of the total $8.1 billion funded requirements in the Capital Investment Agenda. This is an increase of 1.6% when compared to the 2007-2016 Long Range Financial

Plan where these funded envelopes represented 1.8% of the total funded requirements of $5.1 billion.

Implementing the proposed debt and earmarked property taxes results in the total of these funded envelopes increasing to 34% of the $11 billion total funded.

Shifting Modes of Transportation To Assist Other Goals

The projects contained in the Transit and Road asset envelopes make the most contribution to this goal.

- Transit – the funded allocation for SLRT extension and other related projects such as Transit Priority Corridors; Bus Fleet and Garage are foundational to assisting with the achievement of this goal. This investment in transit assists with efforts to offer motorists a more viable alternative to car usage for movement of people. In doing so, the desired shift from cars to transit is enabled.
- Roads – the funded allocation for road projects is still significant, however, the priorities have focused to those projects that assist with goods movement through and around the city. By doing this road investment, the ability for buses to do the same as goods transport will also be improved over this planning horizon.

Together, these investments help contribute to transforming the urban form of Edmonton, preserve and sustain Edmonton's environment and diversifying Edmonton's economy. Transit reach is a key enabler for an urban village form with linear functioning corridors. With more environmentally friendly offerings of people movement, air quality is improved and reliance on non-renewable energy sources is reduced. With better goods movement, enablement for Edmonton to become a logistics hub or portal to the North and Asia is achieved.

Funded requirements for Transit and Roads represent 39% (Transit 17%, Roads 21.6%) of the total $8.1 billion funded requirements in the Capital Investment Agenda. This is a decrease of 2.0%, mainly due to Roads, when compared to the 2007-2016 Long Range Financial Plan where these funded envelopes represented 41% (Transit 17.8%, Roads 23.3%) of the total funded requirements of $5.1 billion.

Implementing the proposed debt and earmarked property taxes results in funded Transit increasing to 19.9% of the $11 billion total funded and Roads decreasing to 15.9%.

Environmental Preservation and Sustainability

The projects contained in Parks asset envelopes make the most direct contribution to this goal.

In addition to the investment in Parks that contributed to the Urban Form goal, many projects within this envelope are about conservation efforts. Whether it is sports fields conservation, Parks Rehabilitation, Conservation & Infrastructure or River Valley Amenities, trail development and maintenance, progress will be

made toward both the preservation and sustainability expectations for this goal. In addition, maintenance investments to the tree canopy will preserve the beautification of Edmonton, and it also provides a natural source of carbon offsets to assist with minimizing Edmonton's eco-footprint.

A secondary contribution to this goal theme is achieved by the commitment to pursue LEED standards in City buildings.

Funded requirements for Parks represents 4.8% of the total $8.1 billion funded requirements in the Capital Investment Agenda. This is an increase of 2% when compared to the 2007-2016 Long Range Financial Plan where Parks represented 2.8% of the total funded requirements of $5.1 billion.

Economic Diversification

In addition to the contribution already made by the Roads asset envelope to this goal, projects contained in Economic Development asset envelopes make the most contribution to this goal.

- Economic Development – continued investment in advanced technology enablement such as Research Park improvements and the TEC center joint venture directly contributes to two aspects of this goal: Entrepreneurship development and creating a stronger centre for innovation and technology commercialization. This in turn can lead to new businesses, higher paying jobs and more disposable income which create economic spin off benefits for the City.
- The other investments in this envelope assist with city area revitalizations and convention center renewal, which in their own rights assist with economic diversification enablement. Conventions or Congresses like ICLEI are easier to attract to the City and areas within the City are created to receive more business ventures, including those based on green technologies.

Funded requirements for Economic Development represent 0.4% of the total $8.1 billion funded requirements in the Capital Investment Agenda. There has been no change when compared to the 2007-2016 Long Range Financial Plan where this envelope represented 0.4% of the total funded requirements of $5.1 billion.

Implementing other funding sources, such as the Community Revitalization Levy, would favourably impact the funded ratio of this envelope.

Livability

The projects contained in Transit, Neighborhood Renewal, Protection, Parks and Recreation and Culture asset envelopes make the most contribution to this goal.

- Transit - infrastructure planning in areas such as LRT play a key role in Transit Oriented Development (TOD), which is seen as crucial to creating "urban villages".
- Neighborhood Renewal - While there is no growth allocation to neighborhoods, the investment is in renewing existing

neighborhoods. In making these investments, the neighborhoods will be equipped with renewed foundations that better enable the move toward more medium and high density land use possibilities and priorities.

- Protection – In addition to the Fire and EMS investments identified in the Urban form goal, these same investments contribute to the condition of success required for the livability goal as well.
- Parks – Growth and renewal investments in parks over this planning horizon in part contributes to this goal by: expanding and conserving natural areas through acquisitions; adding new parks and rehabilitating existing parks. This should increase park access for neighborhoods, which is a transforming element that is envisioned for this strategic goal.
- Recreation and Culture – similarly to Parks, investment in two libraries and multi-use recreation centers will contribute to the key livability emphasis Council wants to accomplish for this 10-year planning horizon. Accessibility will be improved and when planned with transit-oriented development (TOD), will help make a linear TOD model more viable and in turn, more livable communities.

Funded requirements for Transit, Neighbourhood Renewal, Protection, Parks and Recreation and Cultural represent 37.4% of the total $8.1 billion funded requirements in the Capital Investment Agenda. This is an increase of 0.8% when compared to the 2007-2016 Long Range Financial Plan where these funded envelopes represented 36.6% of the total funded requirements of $5.1 billion.

Implementing the proposed debt and earmarked property taxes results in the total of these funded envelopes increasing to 53.9% of the $11 billion total funded.

Financial Sustainability

The projects contained in the Corporate envelope make the most contribution to this goal.

Funded requirements for the Corporate envelope represents 6.6% of the total $8.1 billion funded requirements in the Capital Investment Agenda. This is a decrease of 1.7% when compared to the 2007-2016 Long Range Financial Plan where this funded envelope represented 8.3% of the total funded requirements of $5.1 billion.

PART 3: INVESTING IN INFRASTRUCTURE

COST ESCALATIONS

The Capital Investment Agenda is based on estimated cost escalations for the 2008-2017 period. The cost escalations were provided by the City's Economic Trends Research unit and were applied to the majority of the projects within each of the envelopes with the exception of Drainage. Drainage inflation rates vary on a project-by-project basis; the cost escalations provided by the City's Economic Trends Research unit were used for external contractor projects while inflation rates of 2.5% to 5% were applied to in-house construction projects.

Cost Escalations*

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
16%	13%	16%	16%	13%	13%	13%	13%	13%	13%

*Capital cost escalations based on medium case scenario
Source: City of Edmonton, Economic Trends & Research

The significance of the estimated cost escalations is illustrated by the following example. A capital project with a cost of $1 million in 2008 would cost $3.2 million in 2017. To compound the issue, the funding source of $1 million in 2008 would still be $1 million in 2017 because it is not indexed. So the $1 million project that was fully funded in 2008 would only be one-third funded in 2017.

The Capital Investment Agenda has been prepared based on MSI being allocated using the Council approved split of 40% to growth and 60% to renewal. The remaining allocation to the envelopes for growth and renewal was determined using a priority weighting method that included unfunded high priority requirements and Council priorities for MSI growth and the Infrastructure Renewal Model developed by SMA to allocate MSI renewal.

Several projects were previously approved by City Council to proceed in 2008. The EPCOR Tunnel and Southwest Community Recreation Centre are financed with tax-supported debt. As a result of the work done on the Capital Investment Agenda the Whitemud/Quesnell project is also proposed to be funded with tax-supported debt.

Debt Financing

Consistent with the principles approved by City Council, several large growth projects have been identified by Administration as ideal candidates for debt financing. They are the NAIT expansion of the LRT (NLRT) and four new recreation centres. The NLRT has an estimated cost of $880 million with an allocation of $60 million of MSI. The balance of $820 million could be debt financed over 30 years. Any further LRT expansion would require funding commitments from the provincial and federal governments.

The four new multi-purpose recreation centres planned in the city are: North Central, Clareview, Meadows and Lewis Estates. The total budget for the four recreation centres is $480 million in 2008 dollars. The City's new Capital Construction department was created to ensure projects proceed as efficiently as possible. For example, bundling and accelerating the timing of building the four new recreation centres will be explored as a way to keep costs from escalating. Administration recommends these proceed with debt financing.

Earmarking Property Tax Revenues for Neighbourhood Renewal

A tax levy increase of 4% per year for the next 10 years would provide sufficient funding to renew the failing neighbourhood infrastructure. At the end of 10 years there would be enough funding built into the tax levy to fund annual neighbourhood renewal so that the City would not be faced with significant unfunded reconstruction demand in the future.

There is also a requirement to cover the project costs that are ineligible for MSI funding. These costs vary from project to project and range from 5% to 10%.

The following table shows the potential future impact on tax increases if the proposed tax-supported debt, Neighbourhood Renewal and MSI ineligible costs were funded in addition to the previously approved tax-supported debt projects.

Proposed Annual Tax Levy Increases for:	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Neighbourhood Renewal		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Ineligible MSI costs		1.5% - 3%								
Debt Servicing Costs.:										
Previously Approved Projects:										
Whitemud/Quesnell, EPCOR Tunnel & SW Recreation Centre		1.2%	1.5%	0.8%						
Proposed Projects										
NAIT LRT ($820M, 30 years)				1.6%	1.5%	1.3%	1.2%	0.2%		
Recreation Centres ($480M, 20 years)			0.3%	0.6%	0.3%	0.3%	0.5%	0.4%	0.6%	0.3%
		1.2%	1.8%	3.0%	1.8%	1.6%	1.7%	0.6%	0.6%	0.3%
Proposed Tax Levy Increase	**n/a**	**6.7%-8.2%**	**5.8%**	**7.0%**	**5.8%**	**5.6%**	**5.7%**	**4.6%**	**4.6%**	**4.3%**

PART 3: INVESTING IN INFRASTRUCTURE

The following schedule summarizes current funding, proposed MSI allocation, debt funded projects and tax levy increase for neighbourhood renewal by growth and renewal. The proposed debt and tax levy increase would provide additional funding of $2.9 billion or 11%.

10-YEAR FUNDING SUMMARY	Growth ($thousands)	Renewal	Total	% of Total Plan
Current Funded	$ 3,123,478	$ 3,051,801	$ 6,175,279	
MSI Allocation (40/60 split)	790,000	1,233,000	2,023,000	
Total Current & MSI	**3,914,978**	**4,287,790**	**8,202,768**	**30%**
PROPOSED				
Debt Funded:				
NAIT LRT	820,000	-	820,000	
North Central Recreation Centre	114,500	-	114,500	
Clareview Recreation Centre	96,500	-	96,500	
Meadows Recreation Centre	132,700	-	132,700	
Lewis Estates Recreation Centre	134,300	-	134,300	
Total Proposed Debt Funded	1,298,000	-	1,298,000	
Tax Levy Increase:				
4% per year for Neighbourhoods	-	1,567,500	1,567,500	
Total Proposed	**1,298,000**	**1,567,500**	**2,865,500**	**11%**
Total Current, MSI & Proposed	**5,212,978**	**5,855,290**	**11,068,268**	**41%**
Total Unfunded	**11,095,539**	**5,050,489**	**16,146,028**	**59%**
TOTAL PLAN	**$ 16,308,517**	**$ 10,905,779**	**$ 27,214,296**	**100%**

PART 4: ENVELOPES

Growth and Renewal Definitions

The Capital Investment Agenda categorized types of infrastructure into envelopes according to type of service each infrastructure helps deliver to citizens. Within the envelopes the infrastructure requirements are grouped into two categories: growth and renewal. In cases where projects address both growth and renewal requirements the 50% rule was applied to determine whether the project is growth or renewal. If more than 50% of the project is growth related then it is classified as a growth project. Conversely, if more than 50% of the project is related to renewal then it is classified as renewal. The following definitions were used to assign the infrastructure requirements to growth or renewal (renewal includes maintenance, upgrades and expansion):

Growth: Investment in new infrastructure that increases the size of the infrastructure portfolio.

Renewal: Investment in existing infrastructure to restore it to its former condition and may extend its service life, which may include replacement of individual components as they age or become obsolete. Capital investment in renewal extends the period of service potential but does not change the replacement value, and so does not increase the size of the infrastructure asset portfolio.

Maintenance: The set of activities required to keep a component, system, infrastructure asset or facility functioning as it was originally designed and constructed. Maintenance refers to all actions necessary for retaining an asset as near as possible to it original condition, including repair but excluding renewal (rehabilitation or replacement).

Upgrade: Investment in added or enhanced components to existing infrastructure assets designed to improve the type of service provided. Upgrading generally prolongs the asset's service life or improves its functionality, and may sometimes be the result of building code changes, new regulations, adjusted service levels, or technology improvements.

Expansion: Investment in new assets designed to extend the similar standard and type of service to a greater number of users, *e.g*., extending a drainage or road network.

ENVELOPES: ROADS

Roads includes:

- *Roads*
- *Fleet—Transportation & Streets*
- *New Buildings*

Quick Facts:

- *160 Bridges (including pedestrian, rail, river crossing, culvert, grade separations, and channel bridges)*
- *1,100 km of alleys*
- *790 km of arterial roads*
- *82,000 street lights*
- *3,300 parking meters*
- *135,000 traffic signs*

MANDATE

The services of the Roads program are categorized as follows:

- Design, construction and maintenance of city streets, sidewalks and bridges
- Summer and winter road maintenance
- Street system control through traffic signals, intelligent traffic systems, street lighting, detours, signage, pavement marking and parking meters
- Right of way management

CAPITAL PLAN

The Roads envelope, part of the City's tax-supported operations, has identified 2008-2017 Capital requirements of $5.6 billion. Roads received $474 million of MSI funding in addition to other funding sources of $1.3 billion. Other capital funding sources come from fuel tax, debt, general financing and AMIP.

There is an additional $1.9 billion of unfunded high priority projects and $1.9 billion of unfunded other projects over the 10 year period.

GROWTH

The funded growth related projects for Roads total $816 million with the majority funding 23rd Avenue/Gateway Interchange, Whitemud Drive/Quesnell Bridge and arterial network improvements. MSI funding will be used to fund arterial network improvements, inner ring loop & highway connectors and operating yards and facilities.

The unfunded high priority growth projects total $1.2 billion and consist mainly of Anthony Henday connectors and arterial network improvements, Whitemud/ Terwillegar Stage 2 and inner ring

ROADS
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ 816	$ 254	$ 1,214	$ 1,013	$ 3,298
Renewal*	459	220	695	934	2,307
Total	**$ 1,275**	**$ 474**	**$ 1,909**	**$ 1,946**	**$ 5,605**

** Includes maintenance, upgrade and expansion*

ENVELOPES: ROADS

loop and highway connectors.

Other unfunded projects total $1 billion which is made up of arterial network improvements, Whitemud Drive, Stony Plain/Wayne Gretzky Drive and other Roads growth related projects.

RENEWAL

Renewal requirements for Roads total $2.3 billion for the 10 year period. Funded renewal related projects for Roads total $459 million and include funding for rehabilitation of bridges, traffic controls and arterial/primary highways. MSI will fund renewal of arterial/primary highways and traffic control/safety.

Unfunded high priority renewal projects total $695 million and consist of renewal of arterial/primary/highways and traffic signals/controls.

Other unfunded Roads renewal projects total $934 million.

OPERATING IMPACT OF CAPITAL PROJECTS

Annual operating impacts arising from new capital initiatives are mainly due to growth related projects and contributed assets. The annual operating costs resulting from contributed assets in 2008 were budgeted at $2.3 million.

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth Projects					
23 Ave/Gateway interchange	$ 219,700				$ 219,700
Primary/Secondary/Ring Road Connectors	117,100	133,300	579,200	14,481	844,081
Arterial network improvements	153,500	47,700	239,100	165,006	605,306
Whitemud Drive/Quesnell Bridge/Terwillegar	199,600	17,800	371,700	285,755	874,855
Environmental issues & Planning Studies	48,100	55,500	24,400		128,000
Other Roads - Growth	78,219			222,747	300,966
Stony Plain Road/Wayne Gretzky Drive				223,952	223,952
75 Street Widening (Whitemud - Argyll)				100,676	100,676
Total Growth	**816,219**	**254,300**	**1,214,400**	**1,012,616**	**3,297,535**
Renewal Projects					
Traffic Control/Safety Rehabilitation	11,833	52,200	186,593	-	250,626
Arterial/Primary Highway Renewal/Cracksealing	208,492	167,600	507,907	-	883,999
Walterdale/Misc Bridge Rehabilitation	111,941			676,395	788,336
Collector/Alley Renewal & Slurry Seal	55,811			248,715	304,526
Other Roads - Rehabilitation	70,956			8,685	79,641
Total Renewal	**459,033**	**219,800**	**694,500**	**933,795**	**2,307,128**
TOTAL GROWTH & RENEWAL	**$ 1,275,252**	**$ 474,100**	**$ 1,908,900**	**$ 1,946,411**	**$ 5,604,663**

ENVELOPES: TRANSIT

Transit includes:

- *Transit Bus Garages & Facilities*
- *Fleet (Bus & LRT)*
- *Transit Priority Corridors*
- *LRT Facilities & Systems*
- *Transit Equipment & Systems*

Quick Facts:

- *Annual Ridership 60 Million*
- *Current Fleet of 900 Buses & 37 LRV's*
- *22 Transit Bus Terminals*
- *13 km of LRT line with an additional 8 km under construction*
- *11 LRT stations with 4 additional under construction*
- *37 New LRV's On order*
- *5 Operating Divisions*

MANDATE

Transit program provides customer-focused, safe, reliable and affordable public transportation services that link people, jobs and communities. The current system includes:

- bus transit
- light rail transit (LRT)
- specialized service for the disabled (DATS)

CAPITAL PLAN

The Transit envelope, part of the City's tax-supported operations, has identified 2008-2017 Capital requirements of $8.7 billion. Transit received $426 million of MSI funding in addition to other funding sources of $949 million. Other capital funding sources come from fuel tax, debt, general financing, NDCC, NDPT, Public Transit Trust Fund, CAMRIF, Transit Secure and AMIP.

There is an additional $1.6 billion of unfunded high priority projects and $5.8 billion of unfunded other projects over the 10 year period.

The unfunded high priority projects include expansion of the LRT to various sections of the city. These projects (eg. North LRT Extension) have been identified as candidates for tax-supported debt through the Capital Direction Setting process presented to City Council earlier this year. A borrowing of $820 million would require debt servicing payments of $55 million to $66 million annually depending on the amortization period and interest rates.

TRANSIT
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ 720	$ 218	$ 1,287	$ 5,502	$ 7,727
Renewal*	229	208	297	250	983
Total	**$ 949**	**$ 426**	**$ 1,584**	**$ 5,752**	**$ 8,710**

** Includes maintenance, upgrade and expansion*

ENVELOPES: TRANSIT

GROWTH

Current funded growth related projects for Transit total $720 million and include funding for the South LRT, 37 LRV's, some Transit Priority Corridors, Growth Buses, and 3 new Bus Terminals. MSI funding has been approved by Council to fund the SW Bus Garage. Additional MSI funding for Transit growth will be used to fund additional growth buses and Transit Priority Corridors in support of the Transit Ridership Growth Strategy.

The unfunded high priority growth projects totaling $1.3 billion consist of an extension of the LRT, additional Growth Buses and Bus Terminals to expand service to meet the Transit Ridership Growth Strategy targets, and an additional NE Bus Garage. Other key projects include SMART Card deployment and installing CAD/AVL systems on the bus fleet.

Other unfunded Transit projects total $5.5 billion of which $5.2 billion is related to LRT extensions.

RENEWAL

Renewal requirements for Transit total $983 million for the 10 year period. Funded renewal related projects for Transit total $229 million with the funding being used to fund renewal of LRT and Bus Fleets, Facilities and Equipment. It also includes the decommissioning cost of the Trolley Catenary System. MSI funding totaling $208 million will include funding for replacement diesel buses, replacement of trolleys with hybrid buses, renewal of Westwood Garage, installation of electronic train arrival signs, upgrading key Transit computer systems, and constructing a new Transit control centre.

Unfunded high priority renewal projects total $297 million and are required for funding Replacement Buses for the current fleet, and LRT/Bus garages and facilities renewal. Only 37% of the replacement buses needed over the next 10 years are funded.

Other unfunded renewal projects total $250 million for rehabilitation of Other Transit Infrastructure (train signal system, electrification, facilities, stations, bus terminal road surfaces, and communications systems) over the 10 year period.

OPERATING IMPACT OF CAPITAL PROJECTS

Annual operating impacts arising from new capital initiatives are mainly due to growth related projects. The net annual operating costs of the South LRT are estimated at $12.2 million (phased over 2008-2010) and $4 million for the SW Transit Garage (phased over 2009-2010). Additional bus service to add 229 buses over the next 5 years will increase the operating budget by about $6 million annually to cover fuel, maintenance and operating costs. The three new growth bus terminals will add $400 thousand to the operating budget (phased over 2009-2011). Savings of $12-$13 million (phased over 2012-2017) related to the trolley system decommissioning will be re-invested in providing additional transit service. Operating impacts for various LRT extensions have been established as the routes and priorities are still being developed.

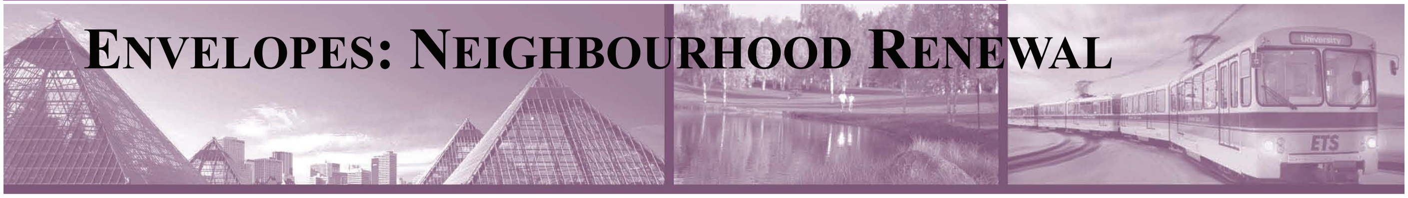
ENVELOPES: TRANSIT

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth Projects					
Light Rail Vehicles	$ 27,252			$ 90,000	$ 117,252
Transit Priority Corridors	39,503	12,536			52,039
Bus Fleet, Facilities & Equipment Growth	100,269	101,036	188,587	121,090	510,982
SW Bus Garage	61,600	44,000			105,600
SLRT (Federal Fuel Tax Rebate)	440,986				440,986
North LRT - **(see Notes)**	45,000	60,000	820,000		925,000
Other Transit projects	5,190		93,564	70,577	169,331
NE Bus Garage			184,954		184,954
LRT Extensions				5,220,769	5,220,769
Total Growth	**719,800**	**217,572**	**1,287,105**	**5,502,436**	**7,726,913**
Renewal Projects					
Other Transit Infrastructure Rehabilitiation	23,508			250,000	273,508
LRT Fleet,Facilities & Equipment	113,935	51,991			165,926
Bus Fleet,Facilities & Equipment	58,474	89,756	259,044		407,274
Transportation Computer Applications	12,182	14,350			26,532
Transit/LRT Garage & Terminal Rehabilitation	13,923	51,991	37,535		103,449
Bus Garage Ventilation Systems-Mitchell	6,708				6,708
Total Renewal	**228,730**	**208,088**	**296,579**	**250,000**	**983,397**
TOTAL GROWTH & RENEWAL	**$ 948,530**	**$ 425,660**	**$ 1,583,684**	**$ 5,752,436**	**$ 8,710,310**

Notes:

1. The North LRT expansion would extend the LRT to NAIT. This project is shown as an unfunded high priority. It was identified as a candidate for tax-supported debt through the Capital Direction Setting process presented to City Council earlier this year. A borrowing of $820M would require debt servicing payments of $55-66 million annually depending on the amortization period and interest rates.



Envelopes: Neighbourhood Renewal

Neighbourhood Renewal includes:

- *Neighbourhood Roads*
- *Neighbourhood Drainage*
- *Neighbourhood &*

Quick Facts:

- 353 Neighbourhoods
- *Approximately 2,500 km of local roads*
- *Approximately 3,800 km of sidewalks*
- *Approximately 3,700 km of local storm, sanitary, and combined sewer*

Mandate

Roads

The Roads program provides a key service in the Neighbourhood Renewal program of city streets, sidewalks, street lights and multi-use trails.

Drainage

Drainage Services also plays a key role in the Neighbourhood Renewal program through renewal of Neighbourhood Sanitary and Land Drainage infrastructure.

Neighbourhood & Community Development

The Neighbourhood and Community Development Branch (NCD) enriches community life by working with others to strengthen individuals, families and organizations, supporting neighbourhood aspirations, and engaging people in the development of their communities.

Capital Plan

The Neighbourhood Renewal envelope has identified 2008-2017 Capital requirements of $3 billion. Neighbourhood Renewal received $365 million of MSI funding in addition to other funding sources of $420 million. Other capital funding sources come from general financing, reserves, AMIP, Local Improvements' Levy, Drainage Retained Earnings and Self Liquidating Debt. Neighbourhood Drainage is self–supporting through utility rates.

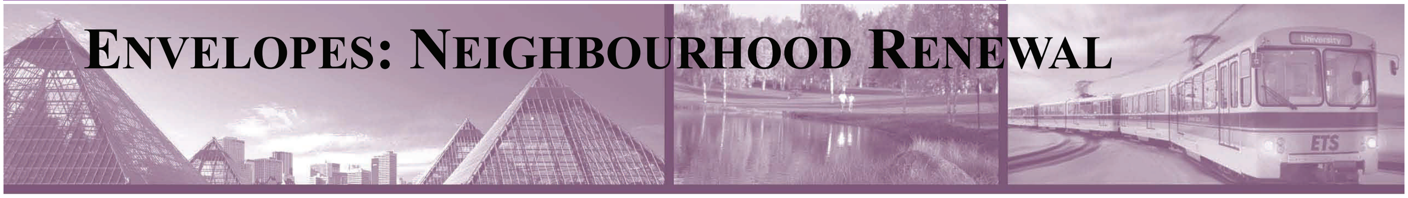
There is an additional $2.2 billion of unfunded high priority projects over the 10 year period. The Neighbourhood Renewal program

NEIGHBOURHOOD RENEWAL
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	-	-	-	-	-
Renewal*	$ 420	$ 365	$ 2,204	$ -	$ 2,989
Total	**$ 420**	**$ 365**	**$ 2,204**	**$ -**	**$ 2,989**

** Includes maintenance, upgrade and expansion*

Envelopes: Neighbourhood Renewal



has been identified for targeted tax levy increases through the Capital Direction Setting process presented to City Council earlier this year to fund non-drainage related work. The recommended tax levy increase is 4% per year for 10 years starting in 2009. This would provide funding of approximately $2 billion over ten years. The drainage related work will continue to be funded through annual drainage rate adjustments.

Operating Impact on Capital Projects

Annual operating impacts arising from new capital initiatives are mainly due to growth related projects. For drainage related projects, there is no operating impact arising from the new capital initiatives.

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Renewal Projects					
Neighbourhood Renewal Program (Drainage)	$ 198,744	$ -	$ 169,074		$ 367,818
Neighbourhood Renewal Program (Roads)	221,389	365,000	1,986,095		2,572,484
Great Neighbourhoods			48,460		48,460
TOTAL RENEWAL	**$ 420,133**	**$ 365,000**	**$ 2,203,629**	**$ -**	**$ 2,988,762**

ENVELOPES: PROTECTION

Protection includes:

- *Police*
- *Fire Rescue*
- *Police & Fire Fleet*
- *New Police & Fire Buildings*

Quick Facts:

- *14 Police Facilities*
- *Over 30 Emergency Response Stations*
- *456 Police Units*
- *182 Emergency Response Units*

MANDATE

Police

Under the governance of the Edmonton Police Commission (EPC), the Edmonton Police Services (EPS) focuses its efforts on a four-part community policing mandate that includes crime prevention, law enforcement, addressing matters of public safety and the maintenance of public order.

Fire Rescue

Fire Rescue Services delivers essential public services, helping to make the community a safer place to live, work and play.

Key responsibilities include:

- Fire suppression and investigations.
- Public education and prevention
- Fire inspections
- Fire rescue co-response to life-threatening Emergency Medical Services events
- Environmental disaster response
- Emergency preparedness planning
- Operational services (Emergency Response Communications, Public Safety Technology, Logistical support)

CAPITAL PLAN

The Protection envelope, part of the City's tax supported operations, has identified 2008-2017 Capital requirements of $314 million. Protection received $65 million of MSI funding of which $38 million was allocated to Police and $27 million allocated to Fire Rescue. Current funding of $102 million has been allocated, the majority of which is funded from fleet replacement reserves. Other capital funding sources comes from

PROTECTION
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ 40	$ 65	$ 118	$ 19	$ 241
Renewal*	62	-	10	-	73
Total	**$ 102**	**$ 65**	**$ 128**	**$ 19**	**$ 314**

** Includes maintenance, upgrade and expansion*

Envelopes: Protection

general financing and Alberta Municipal Infrastructure Program grants. AMIP funding expires in 2010 and has been replaced by MSI.

Growth

The funded growth related projects for Protection total $40 million for the ten year period.

Police

Funded projects include the completion of the South West Division Station and the construction of the new North West Division Station.

Fire Rescue

Funded growth projects include the completion of the Meadows Fire Station, purchase of land and design of the Heritage Valley Fire Station.

New MSI Funding will allow for the construction of the Heritage Valley Fire Station and for two additional fire stations to be built and equipped with apparatus.

Unfunded high priority growth projects consist of the remaining seven fire stations identified in the Fire Rescue Station Master Plan and associated apparatus at an estimated cost of $118 million.

Renewal

Funded renewal projects for Protection total $62 million for the ten year period.

Police

Renewal funding includes Police technology and equipment.

Unfunded priority projects totaling $8.6 million consist of additional technology and equipment projects.

Fire Rescue

Renewal funding includes the replacement of Fire fleet and apparatus funded through a replacement reserve.

Funding is also provided for some technology and equipment related projects including the replacement of the dispatch system.

All MSI funding for Protection renewal has been allocated to the Buildings envelope.

Unfunded high priority renewal projects for Fire Rescue total $1.7 million and includes replacement of the Records Management System.

Operating Impact of Capital Projects

Police

Annual operating impacts arising from new capital initiatives are mainly due to growth related projects. The annual operating costs of the SW Division Police Station are estimated at $302,500.

Fire Rescue

The annual operating impacts include the costs to staff the station, costs related to maintenance and utilities as well as costs for apparatus maintenance and to fund the fleet replacement reserve. These costs for the Heritage Valley Fire Station are estimated to be approximately $3.6 million and will be approximately the same for each of the two new fire stations depending on the apparatus assigned to the stations.

ENVELOPES: PROTECTION

(in $Thousands)

		Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth Projects						
EMS	Central & South Stations & Ambulances	$ 9,321				$ 9,321
Fire	Meadows/Heritage Valley & 2 Fire Stations	9,505	27,000			36,505
Police	SW Division	20,772	7,366			28,138
Police	NW Division Station		30,617			30,617
Fire	7 Fire Stations & Apparatus			113,115		113,115
Fire	Other			4,800		4,800
Police	Other				18,805	18,805
	Total Growth	**39,598**	**64,983**	**117,915**	**18,805**	**241,301**
Renewal Projects						
EMS	Ambulance Fleet Replacement	6,649		-		6,649
Fire	Technology & Equipment	10,274		1,700		11,974
Fire	Fire Fleet & Apparatus Replacement	42,561				42,561
Police	Technology & Equipment	2,756		8,627		11,383
	Total Renewal	**62,240**	**-**	**10,327**	**-**	**72,567**
	TOTAL GROWTH & RENEWAL	**$ 101,838**	**$ 64,983**	**$ 128,242**	**$ 18,805**	**$ 313,868**

THE CITY OF Edmonton

ENVELOPES: PARKS

Parks includes:

- *Parks Development*
- *Natural Areas*
- *Land Acquisition*
- *New Buildings/ Structures*

Quick Facts:

- *830 parks*
- *12,300 ha open space*
- *4,600 ha maintained turf*
- *309,700 maintained trees*
- *338 playgrounds*
- *1,700 bookable fields*
- *153 km of river valley trails*

MANDATE

The overall mission of Parks, is to develop, manage and preserve parks and open space. The program balances efforts regarding sustainable parks maintenance and operations, environmental integrity and the creation of an attractive city for residents and visitors. This is accomplished through two areas:

- Parks development and preservation including parkland assembly (governed by the *Municipal Government Act*), public open space development and construction, and the preservation of natural and environmentally sensitive areas; and,
- Management and operations of Edmonton's parks and open spaces including turf maintenance, horticulture, parks servicing, parks traffic systems, forestry, pest management, playgrounds, sportsfields, river valley parks and trails, the tree nursery, outdoor winter activities and operations support activities.

CAPITAL PLAN

The Parks envelope, part of the City's tax-supported operations, has identified 2008-2017 Capital requirements of $1.7 billion. Parks received $198 million of MSI funding in addition to other funding sources of $194 million. Other capital funding sources come from general financing, tax-supported debt, partner and developer contributions and other federal and provincial grants.

There is an additional $1.4 billion of unfunded high priority projects that includes $555 million for acquisition of natural areas over the 10 year period.

PARKS
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ 114	$ 74	$ 1,206	$ -	$ 1,393
Renewal*	80	124	149	-	354
Total	**$ 194**	**$ 198**	**$ 1,355**	**$ -**	**$ 1,747**

** Includes maintenance, upgrade and expansion*

Envelopes: Parks

Growth

The funded growth related projects for Parks total $114 million and include funding for neighbourhood district park development, park land acquisition as well as some natural areas acquisition and conservation. MSI funding of $74 million will be used to fund city parks and base level park construction.

The unfunded high priority growth projects total $1.2 billion and consist of a range of Parks growth related projects, River Valley Ravine trails and amenities and $555 million for acquisition of natural areas. One strategy for funding some of the River Valley Ravine trails and amenities is to access the $50 million grant available for River Valley Alliance projects.

Renewal

Renewal requirements for Parks total $354 million for the ten year period. Funded renewal related projects for Parks total $80 million and include funding for parks conservation/infrastructure/rehabilitation and playground and sportsfield conservation. The MSI funding of $124 million for Parks renewal will be used to fund parks rehabilitation/redevelopment/infrastructure and outdoor aquatic amenities.

Unfunded high priority renewal projects total $149 million and consist mainly of parks rehabilitation/redevelopment and infrastructure.

Operating Impact on Capital Projects

Annual operating impacts arising from new capital initiatives are mainly due to growth related projects and contributed assets. The annual operating cost impacts of the Parks growth related projects are estimated at an average 2.5% of the capital program or approximately $4.7 million over the 10 year period.

ENVELOPES: PARKS

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth Projects					
Leger Site: Roadway, Servicing & Dev.	11,328				11,328
Fort Edmonton Park Footbridge & Trails	19,735				19,735
Parks - Growth	40,092	23,900	119,092		183,084
Park Land Acquisition	18,210		40,600		58,810
Natural Areas Acquisition & Conservation	18,248		555,400		573,648
Other Parks	3,710		3,634		7,344
River Valley & Ravine Trails New Dev.	456		206,038		206,494
Surplus School Sites Servicing & Acquisition	2,143		58,382		60,525
Base Level Park Construction		49,732			49,732
River Valley: New Amenities			222,526		222,526
Total Growth	**113,922**	**73,632**	**1,205,672**	**-**	**1,393,226**
Renewal Projects					
Replacement of Drought Damaged Trees	3,836		4,292		8,128
Sportsfield Conservation	7,514		1,243		8,757
Parks Rehabilitation, Conservation & Infrastructure	45,103	87,463	106,675		239,241
Parking Lot Redevelopment/Rehabilitation	2,479	2,669	-		5,148
River Valley And Ravine Trails Maintenance	2,780		11,625		14,405
Citywide Redevelopment of Playgrounds	6,849		2,250		9,099
Tree Planting/RV Naturalization	5,357		10,655		16,012
Other Parks Renewal	600	8,333	414		9,347
Wading Pool Rehabilitation	1,309				1,309
Playground Conservation/Development	4,596				4,596
Parks Outdoor Aquatic Amenities		25,540	12,060		37,600
Total Renewal	**80,423**	**124,005**	**149,214**	**-**	**353,642**
TOTAL GROWTH & RENEWAL	**$ 194,345**	**$ 197,637**	**$ 1,354,886**	**$ -**	**$ 1,746,868**

ENVELOPES: RECREATION & CULTURAL

Recreation & Cultural includes:

- *Recreation Facility Services*
- *Public Library*
- *Fleet*
- *New Buildings*

Quick Facts:

- *7 Cemeteries*
- *3 Senior Centers*
- *5 Golf Facilities*
- *16 Libraries*
- *19 Arenas*
- *16 Swimming Pools*

Edmonton Public Library

The second most visited place in Edmonton in 2007 … over 12.5 million visits … second only to West Edmonton Mall with 20 million visits

MANDATE

Recreation Facility Services

The Recreation Facility Services branch creates vibrant places for Edmontonians and visitors by developing, managing, and animating recreation facilities. These "community hubs" offer memorable and accessible experiences for recreation and personal development. Programs and services enrich quality of life for Edmontonians, embrace wellness and become legacies for the future.

Key responsibilities include:

- Managing a broad range of municipal recreation and sports facilities including community leisure centres, outdoor pools, arenas, senior citizens' recreation centres, Commonwealth Stadium, Kinsmen Sports Centre and golf courses;
- Managing major city attractions including the Valley Zoo, Fort Edmonton Park, Muttart Conservatory and John Janzen Nature Centre;
- Developing plans and concept designs for new recreation facilities and the rehabilitation of existing facilities; and,
- Developing and implementing long range plans and strategies for recreation facilities, including the Recreation Facility Master Plan, Medium Term Recreation Facility and Sports Field Plan, 10-Year Arena Capital Development Strategy, Valley Zoo Master Plan and Fort Edmonton Park Development Plan.

RECREATION AND CULTURAL
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ 152	$ 106	$ 880	$ 567	$ 1,705
Renewal*	50	-	196	-	246
Total	**$ 202**	**$ 106**	**$ 1,076**	**$ 567**	**$ 1,951**

** Includes maintenance, upgrade and expansion*

THE CITY OF Edmonton

Envelopes: Recreation & Cultural

Public Library

The role of the Edmonton Public Library is to support self-directed learning through collections, services, and programs aimed at individual adults and children pursuing their learning adventures. The Library fulfils this role in a variety of ways.

- By being an ***Independent Learning Centre***, the Library assists adults and children in exploring topics of interest and in improving their skills outside formal educational structures.
- As a ***Reference and Readers' Advisory Centre***, the Library provides timely, accurate and useful information for customers in response to their decision-making, learning and leisure queries.
- As a ***Popular Materials Library***, the provision and promotion of high-demand, high–interest materials in a variety of formats in recognition of the needs and interest of people of all ages.
- The Library serves as a ***Preschoolers' Door to Learning*** by encouraging preschoolers to begin developing a lifelong interest in reading and learning through services, collections and programs for children, as well as for parents and children together.
- The Library acknowledges the use of its services, collections and facilities by people of all ages enrolled in formal courses of study and therefore acts as a ***Formal Education Support Centre***.
- Also, as a ***Community Activities Centre***, the Library responds to local community needs with tailored services provided inside and outside of Library buildings. The Library is highly visible in the community, undertaking outreach and promotional activities directed at schools, businesses, and other organizations and agencies.

Capital Plan

The Recreation and Cultural envelope, has identified 2008-2017 Capital requirements of $2 billion ($1.8 billion for Recreational Facility Services and $104 million for Edmonton Public Library). This includes building four new multi-purpose recreation centres at an estimated cost of $480 million in 2008 dollars and the arena portion of SW Community Recreation Centre at a cost of $48 million. These facilities have been identified as candidates for tax-supported debt through the Capital Direction Setting process.

There is $202 million of funding currently allocated between Recreation Facilities ($191 million) and Libraries ($11 million), through general financing, tax supported debt (SW Community Recreation Centre), reserves, partner/developer funding and some small grant program allocation.

The Recreation and Cultural envelope received $106 million of new MSI funding of which $82 million was allocated to Recreation Facilities and $24 million was allocated to Libraries.

There are $1.1 billion of unfunded high priority projects over the ten year period ($1 billion for Recreation Facilities and $69 million for Libraries).

ENVELOPES: RECREATION & CULTURAL

GROWTH

Recreation Facilities

Currently funded growth related projects for Recreation Facilities total $141 million and include funding for the SW Community Recreation Centre, partial funding for the St. FX Fieldhouse and the Multi Sport Tournament Site.

New MSI funding will be allocated to the St. FX Fieldhouse and Multi Sport Tournament Site projects and will allow for limited development between the Valley Zoo, Fort Edmonton Park and John Janzen. $54 million will be shared between the Arena Strategy and the Artificial Playing Surfaces projects.

The unfunded high priority growth projects consist of the completion of Artificial Playing Surfaces, Arena Strategy, Valley Zoo and Fort Edmonton Park programs. The four major multi-purpose recreation centres are also included in the unfunded high priority category.

Libraries

Current growth funding is allocated to the construction of the North Branch Library. New MSI funding, the Library's only source of funding after 2008, will top-up funding to complete the construction of this library and will allow partial funding for the construction of a South Branch Library. Two additional branch libraries (one in the southeast and another in north central Edmonton) remain in the unfunded high priority category ($69 million).

RENEWAL

Recreation Facilities

Current renewal funding of $50 million has been allocated to Recreation Facilities. Approximately $196 million of unfunded high priority projects remain. All MSI funding for Recreation Facilities building renewal is included in the Buildings envelope. A number of non building related unfunded high priority renewal projects remain, primarily related to equipment and technology upgrades.

Libraries

All MSI funding for Library building renewal is included in the Buildings envelope. Currently, $8.4 million has been earmarked from MSI funding as the sole source of funding available to assist in addressing $177 million in unfunded high priority renewal building projects. High priority projects related to technology renewal are identified in the Corporate envelope ($1.1 million MSI funded and $7.4 million unfunded).

ENVELOPES: RECREATION & CULTURAL

OPERATING IMPACT ON CAPITAL PROJECTS

Annual operating impacts arising from new capital initiatives are mainly due to growth related projects. The net annual operating costs of the SW Community Recreation Centre are estimated at $800,000.

The net annual operating costs of the four new multi-purpose recreation centres in 2008 dollars are estimated at between $700,000 and $1 million per facility depending on the programming in the facility and the year of construction.

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth Projects					
Library: 4 New Library Branches (North and South)	$ 11,081	$ 23,910	$ 68,820	$ -	$ 103,811
SW Community Recreation Centre	106,400		48,000		154,400
Recreation/Multisport Facilities	34,488	19,470			53,958
Arena Strategy / Artificial Playing Surfaces		54,430	237,454		291,884
Attractions (Fort Edmonton, Valley Zoo, John Janzen)		8,140	48,181		56,321
4 New Multi-purpose Recreation Centres **(Note 1)**			477,940		477,940
Other Recreation Growth				566,929	566,929
Total Growth	**151,969**	**105,950**	**880,395**	**566,929**	**1,705,243**
Renewal Projects (Note 2)					
Recreation / Leisure Facilities	9,699		141,508		151,207
Swimming Pools Redevelopment/Rehab	10,256		34,477		44,733
Other	16,378		17,062		33,440
Attractions	13,484		2,726		16,210
Total Renewal	**49,817**	**-**	**195,773**	**-**	**245,590**
TOTAL GROWTH & RENEWAL	**$ 201,786**	**$ 105,950**	**$ 1,076,168**	**$ 566,929**	**$ 1,950,833**

Notes:

1 The four new Multi-purpose Recreation Centres are shown as an unfunded high priority in 2008 costs.
These Recreation Centres were identified as candidates for tax-supported debt through the Capital Direction Setting process presented to City Council earlier this year.
A borrowing of $480M would require debt servicing payments of $30-40 million annually depending on the amortization period and interest rates.
48M debt financing is also proposed for the Arena portion of the South West Recreation Centre.

2 All MSI Recreation building renewal and all Library building renewal projects are captured under the Building envelope.

ENVELOPES: BUILDING RENEWAL

Building Renewal includes renewal of buildings for:

- *Police*
- *Fire*
- *Recreation*
- *Libraries*
- *Parks*
- *Roads*
- *Transit*

MANDATE

City-owned facilities are occupied by user departments and they are managed, operated, and maintained by the Asset Management and Public Works Department. The Capital Construction Department, Project Management and Construction Branch (PMC) implements all capital construction related to renewal of City owned facilities. PMC is a service branch that works with their clients and with the Asset Management and Public Works, Corporate Properties Branch to plan the renewal work.

PMC manages the renewal work from conception through to the end of the warranty period. Specific project management functions include planning, design, and contract administration for rehabilitation and renovation of City buildings and facilities.

Service level demand on PMC is mainly determined by the number and type of renewal project. In addition, these demands are also impacted by specific regulations & codes that may apply to the projects and by the presence of hazardous materials.

CAPITAL PLAN

Based on the current information within the budgeting system, the Building Renewal envelope requires $1.4 billion of capital funding from 2008 to 2017. The envelope has been allocated $176 million of MSI funding in addition to the $224 million of funding from general financing and grants. This leaves $954 million of unfunded high priority projects over the 10 year period which includes a $295 million office tower that would accommodate City employees currently situated in leased space.

BUILDING RENEWAL
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	-	-	-	-	-
Renewal*	224	176	954	-	1,353
Total	**$ 224**	**$ 176**	**$ 954**	**$ -**	**$ 1,353**

** Includes maintenance, upgrade and expansion*

ENVELOPES: BUILDING RENEWAL

Without detailed assessments to determine actual building condition ratings, current industry recommendations indicate that 2% to 4% of a building's current replacement value should be invested annually to cover renewal costs. Based on an estimated replacement value of $1.6 billion (in 2006 dollars), the City should be investing about $1.4 billion (including the $295 million office tower) from 2008 to 2017 into building renewal. Detailed building assessments of all City buildings are planned over the next few years, and the required renewal investment amounts will be revised as new information is available.

RENEWAL

The $175 million of allocated MSI and currently funded building renewal programs will be used over the ten year period to address facilities for Police, Fire, Libraries, Recreation Centres, Transit, and other civic buildings. The renewal projects will be implemented based on critical needs, and they will be scheduled to ensure that synergies and savings are maximized.

Funding strategies will need to be developed to address the remaining $954 million of unfunded building renewal priorities.

OPERATING IMPACT ON CAPITAL PROJECTS

Annual operating impacts arising from new capital initiatives are mainly due to growth projects. Implementing building renewal projects may reduce operating costs, as older components are replaced with more efficient ones. Deferring renewal projects due to funding constraints will increase the operating and maintenance needs in the future.

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Renewal Projects					
Building renewal and rehabilitation	$ 223,706	$ 175,500	$ 659,215		$ 1,058,421
Office Tower			295,000		295,000
					-
TOTAL RENEWAL	**$ 223,706**	**$ 175,500**	**$ 954,215**	**$ -**	**$ 1,353,421**

Notes:

1. Building renewal and rehabilitation projects include a range of projects from roof repairs, building renovations, upgrades to pools and asset preservation.
2. The Office Tower would provide space to consolidate city employees currently accommodated in leased space. It is considered a renewal project since it replaces space currently being leased by the City.

ENVELOPES: ECONOMIC DEVELOPMENT

Economic Development includes:

- *Planning & Development*
- *Edmonton Economic Development Corp.*
- *Shaw Conference Center*
- *Northeast Industrial Development*
- *Edmonton Research Park*

MANDATE

Planning and Development's mandate is to sustain and enhance Edmonton's quality of life by working with City Council to provide and implement Council's vision through planning, zoning, property and business assessment, tax and bylaw enforcement, while meeting statutory requirements.

The Edmonton Economic Development Corporation (EEDC) is an independent corporation established by the City of Edmonton for the purpose of promoting economic development. In addition to its core economic development responsibilities, the City has also assigned EEDC the responsibility for tourism development, the management of the Shaw Conference Center and Edmonton Research Park.

CAPITAL PLAN

The Economic Development envelope has identified 2008-2017 Capital requirements of $685 million. Economic Development received $4 million of MSI funding in addition to other funding sources of $25 million. Other capital funding sources come from general financing, AMIP and reserves.

There is an additional $502 million of unfunded high priority projects that includes an estimate for the Northeast Industrial site and the Quarters. Unfunded other projects total $154 million over the 10 year period.

GROWTH

The growth requirements for the Economic Development envelope total $309 million and include an estimate of $300 million for the Northeast Industrial site. Actual

ECONOMIC DEVELOPMENT
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ -	$ 4	$ 305	$ -	$ 309
Renewal*	25	-	197	154	376
Total	**$ 25**	**$ 4**	**$ 502**	**$ 154**	**$ 685**

** Includes maintenance, upgrade and expansion*

ENVELOPES: ECONOMIC DEVELOPMENT

funding requirements for the Northeast Industrial site are currently being determined and will not be finalized until December 2008 or early 2009. A number of funding strategies for the Northeast Industrial site are also being considered as part of this process.

MSI funding of $4 million will be used to fund the Technology Business Center Joint Venture.

RENEWAL

Renewal requirements for the Economic Development envelope total $376 million for the ten year period. Funded renewal related projects for the Economic Development envelope total $25 million with the majority of the funding being used for 118 Avenue Initiative, Downtown East (The Quarters), Boyle Renaissance and the Shaw Conference Centre. The Preliminary 10-Year Capital Investment Agenda does not include any significant capital plans that EEDC may have for the Shaw Conference Centre or Edmonton Research Park.

Unfunded high priority renewal projects total $197 million and consist of the 118 Avenue Initiative and the Downtown East (The Quarters) project. Funding from a Community Revitalization Levy (CRL) is being investigated as a potential funding source.

Other unfunded renewal projects total $154 million.

OPERATING IMPACT ON CAPITAL PROJECTS

Annual operating impacts arising from capital initiatives in the Economic Development envelope are expected to be absorbed or covered by increased revenue.

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth Projects					
Technology Business Center Joint Venture		$ 4,000			$ 4,000
Biotechnology Centre			5,186		5,186
North East Industrial			300,000		300,000
Total Growth	**-**	**4,000**	**305,186**	**-**	**309,186**
Renewal Projects					
118 Avenue Initiative	6,766		27,195		33,961
Downtown East (The Quarters)	7,000		150,000		157,000
Boyle Renaissance	6,000		20,000		26,000
Shaw Conference Centre	3,605			18,359	21,964
Edmonton Research Park Southlands	1,503			59,000	60,503
Capital City Downtown Plan Implementation				23,475	23,475
ATC Building Upgrade/Parking Lot				8,500	8,500
Neighbourhood Revitalization Composite				41,800	41,800
Other renewal projects				2,687	2,687
Total Renewal	**24,874**	**-**	**197,195**	**153,821**	**375,890**
TOTAL GROWTH & RENEWAL	**$ 24,874**	**$ 4,000**	**$ 502,381**	**$ 153,821**	**$ 685,076**

ENVELOPES: CORPORATE

Corporate includes:

- *Corporate Services*
- *Municipal Fleet*
- *Office of the City Clerk*
- *Deputy City Manager's Office*
- *Corporate Technology Infrastructure Renewal including Library and Police*
- *Business Application Renewals including Library and Police*
- *New Civic Buildings*

Quick Facts:

- *Municipal Fleet of over 1,500 units*
- *$1.3 billion worth of Information Technology*
- *City-Owned Housing*
- *Integrated Service Yards*
- *Office Buildings*
- *City Hall*

MANDATE

The Corporate envelope includes capital requirements for a range of City programs that provide leadership, administrative and support services to other City programs. The two largest contributors to the Corporate envelope are Corporate Services - Information Technology and Mobile Equipment Services - Municipal Fleet.

CAPITAL PLAN

The Corporate envelope has identified 2008-2017 Capital requirements of $943 million. The Corporate envelope has received $40 million of MSI funding in addition to other funding sources of $498 million. Other capital funding sources come from general financing, AMIP and reserves.

There is an additional $7 million of unfunded high priority projects and $397 million of unfunded other projects over the 10 year period.

GROWTH

The growth requirements for Corporate total $150 million which is mainly for growth in municipal fleet.

RENEWAL

Renewal requirements for Corporate total $793 million for the ten year period. Funded renewal related projects for Corporate total $449 million and include funding for MES Municipal Fleet and Corporate IT - application and infrastructure upgrades.

Other unfunded renewal projects total $297 million for Corporate IT Application and Infrastructure

CORPORATE
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ 50	$ -	$ -	$ 101	$ 150
Renewal*	449	40	7	297	793
Total	**$ 498**	**$ 40**	**$ 7**	**$ 397**	**$ 943**

** Includes maintenance, upgrade and expansion*

ENVELOPES: CORPORATE

upgrades/replacements, including Police and Library, and the Capital City Downtown Plan.

OPERATING IMPACT OF CAPITAL PROJECTS

Annual operating impacts arising from new capital initiatives are mainly due to growth related projects. The annual operating impacts of growth and renewal capital projects is estimated at $2.7 million.

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth Projects					
Planning & Dev - Animal Control Facility	$ 8,694			$ 3,191	$ 11,885
Corporate Services MES - Municipal Vehicle -Growth	14,443			69,890	84,333
Planning & Dev - TOD Infrastructure & Urban Design	456			14,000	14,456
Affordable Housing Projects	26,000			11,000	37,000
Emergency Operations Centre				2,500	2,500
Total Growth	**49,593**	**-**	**-**	**100,581**	**150,174**
Renewal Projects					
Corporate Services MES - Municipal Vehicle Replacement	222,516				222,516
Corporate IT Infrastructure - incl Library and Police	128,958	39,800	7,405	69,177	245,340
Corporate Business Applications - incl Library and Police	97,348	-	-	204,062	301,410
Planning & Dev - Capital City Downtown Plan				23,475	23,475
Total Renewal	**448,822**	**39,800**	**7,405**	**296,714**	**792,741**
TOTAL GROWTH & RENEWAL	**$ 498,415**	**$ 39,800**	**$ 7,405**	**$ 397,295**	**$ 942,915**

ENVELOPES: LAND

Land includes:

- *Land*

MANDATE

Land and Buildings is a service branch providing building and facility maintenance services and real estate services including development and sale of City lands, land acquisition, leasing and management of corporate property and parking services.

Land acquisition is determined by capital project timelines and the volume of funded projects.

CAPITAL PLAN

The Land envelope has identified 2008-2017 Capital requirements of $1.1 billion. Land requirements for Protection, Roads, Transit, Recreation & Cultural, Parks, Corporate and Economic Development projects are included in their respective envelopes. As a result, the Land envelope did not receive any MSI funding in addition to other funding sources of $813 million. Other capital funding sources come from general financing, AMIP and reserves.

There is an additional $245 million of unfunded high priority projects over the 10 year period.

GROWTH

The funded growth related projects for Land total $795 million and include funding for residential and commercial/industrial land acquisition and development as well as strategic land acquisition.

The unfunded high priority growth projects consist of cost escalations in land due to the current real estate market.

LAND
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ 795	$ -	$ 155	$ -	$ 950
Renewal*	18	-	90	-	108
Total	**$ 813**	**$ -**	**$ 245**	**$ -**	**$ 1,058**

** Includes maintenance, upgrade and expansion*

ENVELOPES: LAND

RENEWAL

Renewal requirements for Land total $108 million for the 10 year period. Funded renewal related projects for Land total $18 million and include funding for contaminated properties reclamation and Fort Road Redevelopment Plan implementation.

Unfunded high priority renewal projects total $90 million for community revitalization land acquisition.

OPERATING IMPACT ON CAPITAL PROJECTS

There are no annual operating impacts arising from Land initiatives.

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth Projects					
Palisades Resident(Oxford)Lot Developmt	$ 22,055				$ 22,055
Pilot Sound (Brintnell) Land Development	1,792				1,792
Industrial/Residential Land Acquisition	201,341				201,341
Schonsee Development	16,657				16,657
Strategic Land Acquisition/Cost Escalation	101,170		155,000		256,170
Meadows Lot Development	55,800				55,800
Residential/Other Industrial Land Developmt	150,806				150,806
Surplus School Sites-Conversion & Disp	1,500				1,500
Community Revitalizat. Land Acquisition	27,450				27,450
New Commercial/Industrial Development	216,678				216,678
Total Growth	**795,249**	**-**	**155,000**	**-**	**950,249**
Renewal Projects					
Contaminated Properties Reclamation	7,259				7,259
Fort Road Redevelop. Plan Implementation	10,463				10,463
Community Revitalization Land Acquisit.			90,000		90,000
Total Renewal	**17,722**	**-**	**90,000**	**-**	**107,722**
TOTAL GROWTH & RENEWAL	**$ 812,971**	**$ -**	**$ 245,000**	**$ -**	**$ 1,057,971**

ENVELOPES: UTILITIES

Utilities includes:

- *Land Drainage*
- *Sanitary Drainage*
- *Waste Management*

Quick Facts:

- *1 Wastewater Treatment Facility*
- *2,000 km of Sanitary Sewer*
- *2,200 km of Storm Sewer*
- *80 ha of Operating Landfills*

MANDATE

Drainage Services provides Sanitary and Land Drainage services to the citizens of Edmonton. The program is managed directly by the City through the Asset Management & Public Works Department, but is operated as a municipal utility. The City of Edmonton recovers the full cost of providing these services through utility rates, without subsidy from property taxation and without providing a subsidy to other municipal services. As a municipally owned and operated public utility, Drainage Services is governed under sections 33 to 44 of the *Municipal Government Act*. The *Act* recognizes the right of a municipality to establish a rate structure for the provision of services.

The Waste Management Branch delivers core, customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables; management of Capital City Clean Up and delivery of several initiatives such as servicing of litter containers, Big Bin Program, Block Captain Program, Business Supporting Community Program; and public education and volunteer activities that are integral to the delivery of waste management services.

The *Municipal Government Act*, the *Environmental Utilities* and *Enhancement Act*, and the *Occupational Health and Safety Act* indicate the responsibilities for managing municipal solid waste and delivering services in an environmentally responsible and safe manner.

DRAINAGE & WASTE
2008-2017 Capital Plan (in $Millions)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth	$ 398	$ -	$ 65	$ -	$ 463
Renewal*	1,022	-	191	-	1,213
Total	**$ 1,420**	**$ -**	**$ 256**	**$ -**	**$ 1,675**

** Includes maintenance, upgrade and expansion*

THE CITY OF Edmonton

ENVELOPES: UTILITIES

CAPITAL PLAN

The Utilities envelope, which includes the Drainage and Waste departments, has identified 2008-2017 Capital requirements of $1.7 billion. Capital funding sources of $1.4 billion come from general financing, local improvements, developers, retained earnings, self-liquidating debentures, grants and reserves.

There is an additional $256 million of unfunded high priority projects over the 10 year period.

No MSI funding has been allocated to Utilities.

GROWTH

The funded growth related projects for Utilities total $398 million and include funding for development sewers.

The unfunded high priority growth projects include sanitary servicing applications for an estimated cost of $65 million.

RENEWAL

Renewal requirements for Utilities total $1.2 billion for the 10 year period. Funded renewal related projects for Utilities total $1 billion and include the Gold Bar Plant, sewer infrastructure and the Flood Prevention Program.

Unfunded high priority renewal projects total $191 million which includes sewer infrastructure rehabilitation.

OPERATING IMPACT ON CAPITAL PROJECTS

Annual operating impacts arising from new capital initiatives are mainly due to growth related projects. The annual operating costs on Gold Bar wastewater projects are approximately $4 million. For the expansion in the sewer network system, we expect the operating impact to be 2% to 4% of the value of the asset additions.

ENVELOPES: UTILITIES

(in $Thousands)

	Current Funded	MSI	Unfunded High Priority	Unfunded Other	Total
Growth Projects					
Development Sewers/Developer Built Sewers	$ 78,390				$ 78,390
Gasification Facility	9,242				9,242
NEST - Stage NL2, NL3 & N1	17,442				17,442
Sanitary Servicing Strategy/Drainage Applications	117,764				117,764
SESS/WESS	54,994				54,994
Water Recycling/Wetlands	17,149				17,149
Stormwater Infrastructure/Service Connections	50,538		64,957		115,495
SW/NE/NW Eco Station	28,496				28,496
Waste Containers and Equipment	22,897				22,897
Waste Mgmt-Additional Collection Vehicle	828				828
Total Growth	**397,740**	**-**	**64,957**	**-**	**462,697**
Renewal Projects					
Construction Facility and Equipment	29,912				29,912
CSO Control Strategy	97,954				97,954
Environmental Improvements	29,847				29,847
Flood Prevention/Monitoring & Assessment	122,210				122,210
Processing and Transfer Facility Rehab	68,849				68,849
Mature Neighbourhood Rehabilitation - Dr	-				-
Sewer Separation/Tertiary Treatment Phase 2	56,320				56,320
Kennedale Expansion	3,400		14,500		17,900
Double Barrel/SESS SA1	51,519				51,519
Gold Bar - Rehabilitation/Upgrading	211,187		13,289		224,476
Material Recovery Facility Renewal(MRF)	4,680				4,680
Stormwater Management Facilities			39,000		39,000
Sewer Infrastructure/Systems Rehab/Facility Rehab	192,264		123,861		316,125
Waste Management Centre Infrastructure/Equip	153,959				153,959
Total Renewal	**1,022,101**	**-**	**190,650**	**-**	**1,212,751**
TOTAL GROWTH & RENEWAL	**$ 1,419,841**	**$ -**	**$ 255,607**	**$ -**	**$ 1,675,448**

THE CITY OF Edmonton

PART 5: OTHER ALTERNATIVE REVENUE OPTIONS

In spring 2006, the City of Edmonton invited the Canada West Foundation to undertake a study on alternate funding mechanisms for infrastructure. The research paper titled *Delivering the Goods: Infrastructure and Alternative Revenue Sources for the City of Edmonton* was completed in early 2007, and recently updated to reflect the present-day environment.

The study assesses current sources of infrastructure funding, highlights best practices in infrastructure financing, funding and delivery, and identifies potential alternative revenue sources. The commissioned research is also integral to the City's development of a 30-year Sustainable Infrastructure Financial Strategy to address Edmonton's ongoing infrastructure challenges.

Current tools lack diversity

The City of Edmonton is reliant on a set of inelastic funding tools. This means the revenues produced do not tend to grow over time. More specifically, revenues fail to capture a fair portion of the economic activity occurring in the City, fail to keep pace with population growth, and fail to compensate for inflation and the escalating cost of providing services and infrastructure.

The following examples underscore this fact:

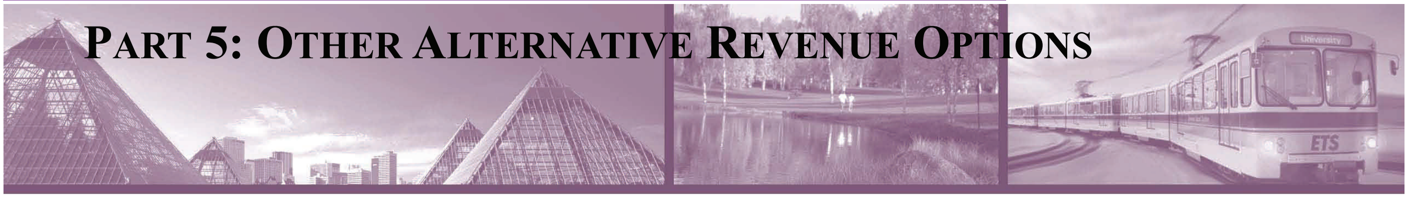
- From 1990-2007, real per capita tax revenue for the City grew by 5.7%. Over the same period, federal tax revenues grew by 25.3% and provincial tax revenue (excluding oil and gas royalties) grew by 44.5%.
- From 1990-2007, the average Edmontonian paid $2,873 more in taxes to all orders of government. Of this amount, 53.1% went to the federal government and 45.3% went to the provincial government. In contrast, Edmonton collected 1.5% or $45. In other words, for each additional $1 in per capita tax paid by Edmontonians, less than 2¢ went to the City.
- In 2006, the average Edmonton homeowner paid $1,259 in municipal property tax. The 2007 budget saw property taxes rise 9.3% to $1,376. Most of this increase, however, was offset by growing personal disposable incomes. The average Edmonton family disposable income was $62,295 in 2006, and $67,947 in 2007. Consequently, the additional property tax paid by an average homeowner was offset by the increase in disposable income.
- At the same time, the personal income tax that had to be paid to the federal and provincial governments increased by $948 from $17,005 to $17,953.

Funding options to consider

In *Delivering the Goods*, the Canada West Foundation identified ten alternatives to finance, fund and deliver infrastructure for potential application in Edmonton.

These options are divided into two categories:

A. Options within the confines of the current *Municipal Government Act*;



B. Options that require amendments to the *Municipal Government Act,* and entail what the research paper refers to as "a major paradigm shift in thinking."

A. Options within the *Municipal Government Act*

1. Seek incremental "wins" under the status quo: Since dramatic policy shifts are difficult to secure this option would seek incremental changes such as seeking additional provincial grants and expanding and improving tri-partite infrastructure agreements.

Some other potential status quo "wins" might include:

- Securing the opportunity for municipal input to the formula the Province uses to calculate the education tax room. By giving municipalities advanced knowledge of the revenue stream the education requisition will generate would allow for better budget planning. Currently, future education requisitions are extremely difficult to estimate due to certain aspects of the Province's calculation formula. As such, the amount of tax room Edmonton receives for each calendar year is not known until the Province tables its annual budget. Because the City budget for any given year is typically approved in December the year prior, the amount of tax requisition we receive cannot be factored into the budget process. In 2008, Edmonton's education tax room was $21 million or nearly 1.5% of the City's operating budget.
- With respect to the education tax , another win would be for the Province to shift the education property tax to municipalities. Such a move by the Province would have given Edmonton an additional $282.8 million in property tax revenue in 2007.
- An increase in the federal and provincial fuel tax programs. Under the current federal program (2005-2009) Edmonton's share is $108 million. Of this amount, Edmonton received $17 million in 2007 and will receive an estimated $21 million in 2008 and $43 million in 2009. The program was extended to 2014 and the recent federal budget committed to making the gas tax fund permanent. Under the provincial program which began in 2000, Edmonton receives 5¢ per litre, or about $80 million per year.
- Amendments to the MSI guidelines. Currently, MSI dollars can only be used to pay the principal on debt, rather than both principal and interest. The MSI program is also in 2007 dollars and does not include cost escalations; as a result MSI dollars will not grow with inflation over the life of the program. Increasing MSI grants by an annual inflation rate of 5% would provide additional funding of about $650 million over the term of the grant program.

While each of the above-mentioned examples would constitute a win, there is no indication or guarantee that any of these scenarios will occur, as they are contingent on grant and policy decisions made by other orders of government and outside Edmonton's control. Moreover, even if some of these scenarios materialized, it would not resolve

Part 5: Other Alternative Revenue Options

Edmonton's reliance on unpredictable and inelastic sources of revenue, which according to the Canada West Foundation study are "not the way to a more prosperous future."

2. User pay policy: Certain infrastructure assets have qualities that make it possible to pursue direct user fee funding and self-financing debt without the need to spend tax dollars. The user-pay principle suggests people pay for what they consume. As an example, a 10% increase in user fees could have generated Edmonton an additional $46.7 million in 2007.

User fees are seen as desirable for a number of reasons:

- paying for what you use is fair and equitable;
- fees reflect the cost of providing services;
- fees bridge the growing gap between increasing demand for expenditures and limited revenues, signaling to citizens and consumers the cost of municipal services;
- fees dispel the myth that public goods are free; and
- provisions can be made for excluding services that are deemed "essential".

The application of user fees could also be tied to an infrastructure asset or service as a means to advance social policy and/or business priorities. An example would be to introduce a user pay system for roadway infrastructure to promote higher ridership on public transportation.

In April 2008, City Council approved in principle, a set of financial and infrastructure principles that includes "using funding sources that maximize contributions from primary users of certain infrastructure (e.g. vehicles pay for roads), excluding infrastructure supporting essential services (i.e. emergency services).

3. "Smart" debt: The idea behind "smart" debt is to build a consensus around an appropriate and sustainable level of tax-supported debt over the long-term, recognizing that borrowing is a legitimate part of any long-term capital financing plan. Debt is considered smart when sustainable limits are established, debt is used for the right projects, the debt is structured appropriately and a repayment plan is in place.

Debt levels in Edmonton had declined for many years as City Council adopted a "pay as you go" policy for tax-supported programs in the 1980s. This program was very effective in reducing the City's debt levels and debt servicing costs. In 2002, Council amended the debt policy to reintroduce tax-supported borrowing to address flat financing sources and growing infrastructure requirements. A $250 million, five-year tax-supported borrowing plan from 2003-2007 and use of debt to finance the South LRT extension are now increasing debt and debt servicing levels.

The MGA prevents municipalities from having debt exceed two times their revenues and debt servicing costs are not to exceed 35% of their revenues. The City's existing debt policy limits tax-supported debt servicing to 6.5% of tax revenues, and limits debt servicing costs on total borrowing (tax-supported plus self-liquidating debt) to 10% of revenues. Under the current internal debt limits and given the debt projects currently approved by Council, there is little capacity remaining to authorize new tax-supported debt over the 2008-17 timeframe.

The administration is currently proposing amendments to the Debt Management Fiscal Policy that would increase the limit of tax-supported debt servicing to 15% of tax revenues and total debt servicing to 22% of revenues. If approved, the new debt limits will provide Council and Administration the capacity to plan for and carry out priority infrastructure investments in the future.

4. Earmarking of property tax revenues: With earmarking, a certain amount of tax revenue is directed to an identifiable and high priority goal. Tax revenues can be earmarked for infrastructure in general (i.e., capital fund), for specific capital purposes (i.e., roadway rehabilitation), or specific infrastructure projects (i.e., new sports arena).

In general, earmarking can go one of two ways. Municipal budgeting practices can be amended to formally earmark a predetermined portion of existing property revenues to support infrastructure. This would involve separating the current property tax mill rate into two components — an operating portion and a portion for capital. Both components would appear as separate line items on the annual property tax bill.

Alternatively, a municipal budgeting policy can be framed to direct a portion of the revenue growth that accrues from expansion in the property tax base to general capital purposes.

For example, in 2007, each 1% increase the property tax yielded $7.6 million in additional property tax revenue. If earmarking for infrastructure would allow property taxes to be increased by 2%, the additional revenue in 2007 would have been $15.2 million

5. Public-private partnerships (P3s): P3s see the public sector partnering with the private and non-profit sectors to deliver both services and infrastructure. The arrangement typically includes the sharing of risks, responsibilities, investments and rewards. As governments look at innovative ways to address financing needs and internal resourcing issues, public sector experience with P3s is growing, as is the interest in them from all levels of government.

The City recently explored a P3 approach for the construction, operation and partial financing of the City's Southwest Community Recreation Centre. While the City opted not to proceed with a P3 for this project, the City will still consider the P3 arrangement for future projects, where it will be an effective way of managing capital project costs and delivery times in a strong economy.

6. A "go-forward" property tax policy: Compared to many other big cities in Canada and other municipalities within the Edmonton metropolitan area, residential and business property taxes in

Edmonton are very competitive. A "go-forward" property tax policy would set municipal property taxes collected at an agreed upon percentage of personal disposable incomes over the long-term.

For example, if Edmonton had collected its property taxes in 2007 at 3.31% of personal disposable incomes (the average rate over the 1990-07 period) rather than the current 2.88 %, the City would have collected another $97.7 million in 2007 alone.

B. OPTIONS OUTSIDE MUNICIPAL GOVERNMENT ACT

1. "Visitor-specific" selective sales taxes: Many large cities around the world use a set of selective sales taxes to generate revenue from "luxury" goods and services, or those disproportionately consumed by visitors to the city. This may include accommodations or lodging taxes, taxes on restaurants, bars, pubs, casinos, and on items such as "off-sales" of beer, wine and liquor.

The rationale is that visitors use municipal services and infrastructure, but do not contribute to the residential property tax base which funds services and infrastructure. These taxes aim to address this issue.

For example, a local liquor tax (at 5% of the per capita provincial rate), a tax on gambling (at 5% of the per capita provincial rate) and a 2% tax on accommodations in Edmonton would have yielded about $32 million in 2007.

If historical rates of growth in these taxes continue into the 2008-17 period, the total basket of taxes could grow from $32 million in 2007, to $34.7 million in 2008, and up to $69.9 million in 2017.

2. "Vehicle-specific" selective sales taxes: With nearly 60% of Edmonton's infrastructure funding gap related to transportation, various "vehicle-specific" sales taxes could be earmarked for transportation infrastructure. Examples of these "user pay" taxes include: a local option fuel tax, a local vehicle registration tax, a special sales tax on vehicle sales, local taxes on rental cars, parking, and even a separate property tax on vehicles.

For example, a 1% sales tax on new vehicles, a 5¢ local fuel tax, a $30 annual vehicle registration fee, and a $20 surcharge on driver license renewals would have generated about $137 million in 2007.

The anticipated 2008 revenue produced by this basket would be $144.8 million. Based on past growth rates, the revenue of this basket could reach upwards of $238.5 million in 2017.

3. Set Provincial grants to the City according to personal and corporate income tax revenues that the Province receives: This option sees the Province sharing with the City a portion of personal (PIT) and corporate (CIT) income tax revenue it collects by tying annual operating and capital grants received by the City to growth in these two taxes. Grants could be indexed to provincial personal and corporate income tax revenue or indexed directly to personal incomes and corporate earnings.

PART 5: OTHER ALTERNATIVE REVENUE OPTIONS

In 1992, the provincial grants received by Edmonton were 3.8 % of PIT and CIT revenue, or 0.339% of total personal incomes and corporate profits earned in Alberta – the highest rate seen during the historical period, 1990-07. If, as an example, 2007 grants were indexed at the 1992 rate of 3.8% of PIT and CIT, grants would have been $65.3 million higher in 2007.

4. A "SPLOST" retail sales tax or "penny" tax: In the U.S., this "Special Purpose Local Option Sales Tax" is emerging as one of the most powerful ways to fund infrastructure. The tax is set at 1% and applies to a broad basket of goods and services. The tax rate is usually imposed by voter-approval in a referendum. The tax rate is capped, revenues are earmarked for a specific infrastructure project, and the tax sunsets every five or six years.

If Edmonton had a 1% general sales tax modeled on the GST, it would have generated $171.4 million in 2007. If historical growth in sales tax data holds, sales tax revenues could reach $391.1 million by 2017.

Exploring Options for Edmonton

These Canada West Foundation options were provided after analysis at a macro level. Therefore, most of the options, if pursued, would require more research prior to implementation.

Administration is planning research into the feasibility of several options and will explore others, with direction from Council.