



Office of the Mayor

Amarjeet Sohi
Mayor

City of Edmonton
2nd Floor, City Hall
1 Sir Winston Churchill Square
Edmonton, Alberta T5J 2R7

Tel.: 780.496.8100
Email: amarjeet.sohi@edmonton.ca

edmonton.ca

January 11, 2022

The Right Honourable Justin Trudeau
Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A3

The Honourable Jason Kenney
Premier of Alberta
307 Legislature Building
Edmonton, AB T5K 2B6

Dear Prime Minister Trudeau and Premier Kenney:

The City of Edmonton appreciates that the federal and provincial governments have used their fiscal capacity and toolkit to full advantage and made unprecedented investments in providing support directly to municipalities in 2020 through the Safe Restart Agreement and Municipal Operating Support Transfer (MOST). Edmonton's allocation was \$158.2 million - \$98.5 million for general operations, \$59.7 million for transit. Edmonton, along with cities across the country, continues to face operating financial shortfalls as a result of the pandemic and cannot participate fully in economic recovery without continued support for essential municipal services from other orders of government.

The effects of the pandemic are expected to have a long-term financial impact on City operations resulting in funding shortfalls within critical programs. This is primarily the case for operating the City's transit system where the loss of ridership has been significant and ridership recovery is expected to take a number of years. The effects of the pandemic have also been significant for aspects of community wellness including recreation facility operations and social spending for vulnerable populations, especially in affordable housing, homelessness, and mental health. The City has estimated the financial impact of the pandemic on our municipal operations at \$400 million in the period of 2020 to 2022.

The largest program shortfall is related to transit and will continue into the future as ridership is not expected to return to pre-pandemic levels until 2024. The lingering impact of the pandemic means that municipalities will require additional transit operating funding assistance from federal and provincial governments in 2022 and potentially as far out as 2023-24. That support will be critical once again for positioning the City of Edmonton to play a stronger role in our economic recovery.

Transit Ridership and Revenue Impacts

We continue to operate the transit system at full capacity, as we have done during the pandemic, in order to keep people safe and to not negatively impact economic recovery and the ability of our residents and businesses to participate in that recovery. Transit ridership in Edmonton, which has been disrupted as a result of the pandemic and is projected to take several years to return to pre-pandemic levels. Transit ridership in 2020 was 56.7 per cent of normal, and in 2021 was 57.8 per cent of normal. We are projecting that ridership in 2022 will return to 68.7 per cent of normal, and up to 76.6 per cent of normal in 2023.

As a result of low ridership, transit revenues (fare and non-fare related) have been negatively affected by the pandemic. In 2021 we are projecting a revenue reduction of \$80.8 million, with additional reductions of \$53.7 million in 2022 and \$31.7 million in 2023.

Additional COVID-related Transit Cost Pressures

In addition to the revenue pressures, the City is projecting several categories of expenses related to COVID-19 transit measures. These include increased costs for enhanced cleaning and disinfecting of vehicles and facilities, purchase of UV purification equipment, as well as additional outreach, security and police patrols on transit to reduce social disorder and provide outreach to those in need. These costs are in the magnitude of \$6-\$9 million in operating expenses a year for each of 2021, 2022 and 2023, with an additional \$6 million in capital expenses. These activities may decrease as ridership recovers and social disorder decreases.

Municipal Response

We are facing unprecedented times with the COVID-19 pandemic and realize that we must be diligent and fiscally prudent in managing the financial impacts of the pandemic. Recognizing the significant impact the pandemic has had on the residents of Edmonton, the City of Edmonton decided, at the onset of the pandemic, that it was not appropriate to further negatively impact residents and businesses through increased property taxes. The approved tax levy increase for 2021 was zero per cent and for 2022 it is 1.9 per cent, one of the lowest in the metropolitan region and when compared to other major municipalities across the country.

We've achieved these tax constraints by putting in place funding strategies that included expense management, the redirection of capital funding to operating, and the utilization of the City's reserves where sustainably possible. To address the program shortfalls, the City has made considerable efforts to manage expenses including short term reductions in service levels and strategies to reduce discretionary spending where possible including reductions in contracts, consulting, training and hosting.

As mentioned, the City has scrutinized its reserves and where it was fiscally responsible to do so has used reserve and other operating funds to manage the budget impacts of the pandemic. The City has used \$64 million from its capital reserves in order to help offset the impacts of COVID. These funds could have otherwise been used for additional capital work to support economic recovery through job creation. Funding from the Financial Stabilization Reserve of just over \$30 million and other operating funds of \$23 million have also been used to help offset the impacts of the pandemic.

Use of the Financial Stabilization Reserve (FSR), one of the City's largest unrestricted reserves, is intended to manage one-time emergent financial challenges. It was never intended to manage prolonged, significant budget reductions over a number of years such as we are seeing for transit. The FSR is currently very close to its required minimum balance, largely due to use of funds to address COVID budget impacts as mentioned above. Using the FSR even further to mitigate the ongoing impacts of the pandemic would drop the reserve below its minimum balance, requiring the City to develop a strategy to bring it back above minimum which would likely mean raising taxes. In a time of economic recovery, the impact to residents and businesses of addressing the pandemic budget challenges through tax increases is not ideal.

Transit as a driver of economic prosperity

Public transit both creates and enables jobs. Safe and reliable transit is necessary for a healthy and robust economy as it moves people to the places they need to be. If there are service level decreases, it may be more difficult for Edmontonians to access their places of employment at the same availability or frequency — currently, Edmonton Transit provides routes with near proximity to homes and businesses and schedules that accommodate early morning to late night shifts common in essential industries like healthcare, food service and warehousing. Secondly, a substantial portion of the City of Edmonton's workforce are transit operators and related support roles. As municipalities are not permitted to operate at deficits, the City may need to decrease service levels (and likely, employees through layoffs) to balance the anticipated revenue reductions. As a major regional employer, this loss of employment and income would be felt by our workforce and by Edmonton's economy and businesses.

Transit as an enabler of environmental stewardship

In Edmonton, transportation accounts for 30 per cent of our greenhouse gas emissions and 42 per cent of energy used. Our transportation priorities must take into account increasing environmental concerns, as well as the ongoing investment needed to maintain our transportation infrastructure. The Edmonton Transit fleet includes the use of buses and light rail transit — with our calculations estimating that just one bus can replace about 50 private vehicles on the road. Edmonton Transit also continues its program of electrification to further decrease emissions through more sustainable energy choices.

Total Request - \$53.7 million + \$31.7 million

In summary, the City of Edmonton requests federal and provincial support for our transit revenue shortfalls projected from 2021-2024. We do not have further fiscal capacity to address this need on our own. We can only continue to deliver the transit services our residents and businesses require if we can secure predictable, multi-year transit operating funding contributions from the federal and provincial governments. We request financial support of \$53.7 million to cover the projected shortfall for 2022 and an additional \$31.7 million to cover the projected shortfall for 2023.

We believe that safe and reliable transit is critical to economic recovery. We have an opportunity to come out of this pandemic stronger than ever, but we can do this only by working together, as partners, for Canada's and Alberta's recovery. Edmonton can be a strong partner in that economic recovery, but will be severely hampered from doing so if the above support is not forthcoming. That support will be critical once again for positioning the City of Edmonton to remain one of the nation's and province's economic engines and play a stronger role in our economic recovery.

Yours truly,

A. Sohi

Amarjeet Sohi
Mayor

c: Chrystia Freeland, Deputy Prime Minister and Minister of Finance, Government of Canada
Travis Toews, President of Treasury Board and Minister of Finance, Government of Alberta
Randy Boissonnault, Associate Minister of Finance, Government of Canada
Members of Edmonton City Council
Andre Corbould, City Manager