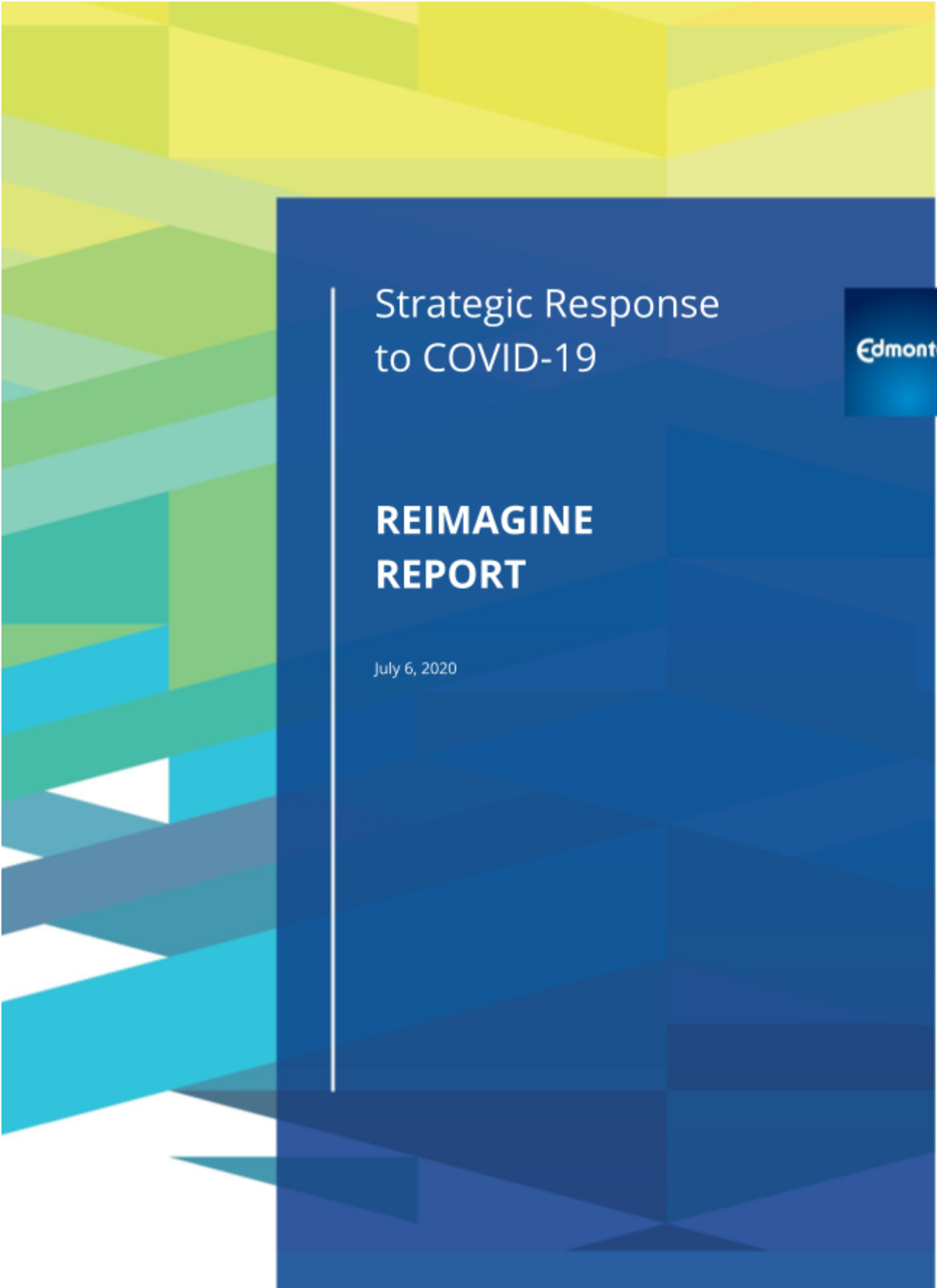




Strategic Response to COVID-19

Edmonton

REIMAGINE REPORT

July 6, 2020

TABLE OF CONTENTS

1. INTRODUCTION	PG 3
A Health, Economic and Oil Crisis	PG 3
A New Fiscal Reality	PG 4
A Strategic Opportunity	PG 4
A REIMAGINED Path Forward	PG 5
2. POSSIBLE FUTURES	PG 6
Containing COVID-19	PG 6
Planning in Uncertainty	PG 6
Possible Futures	PG 6
An Alternate Ending	PG 7
Planning for the Future	PG 7
3. EFFECTS	PG 8
Healthy City	PG 9
Urban Places	PG 11
Regional Prosperity	PG 12
Climate Resilience	PG 16
4. IMPACTS	PG 18
Make Transformational Impacts in the Community	PG 19
Deliver Excellent Services to the Community	PG 19
Manage the Corporation for the Community	PG 21
5. STRATEGIC RECOMMENDATIONS	PG 26
Recommendation Principles	PG 26
Reimagined City Building	PG 28
Reimagine Services	PG 30
Modernizing the Workforce	PG 31
Relationship Based City	PG 32
Financial Viability	PG 33

1. INTRODUCTION

A Health, Economic and Oil Crisis

Coronavirus disease (COVID-19) is a highly infectious disease caused by the newly discovered severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). Most people infected with COVID-19 will experience mild to moderate respiratory illness and recover without requiring special treatment, while some cases have progressed to acute respiratory distress syndrome, multi-organ failure, septic shock and blood clots all of which can lead to death. Elderly people and those with underlying medical problems are more likely to develop serious illness. The virus spreads primarily through droplets of saliva or discharge from the nose when an infected person coughs or sneezes. As of the writing of this report, there are no vaccines or treatments for COVID-19 that have been widely tested, fully approved, ready for global deployment with certainty of effectiveness.

The first known outbreak of the disease was reported in Wuhan, China in December 2019 and quickly spread internationally. On March 11, 2020 a global pandemic was declared by the World Health Organization. As of June 17, 2020, there are 216 countries recording 8,242,999 COVID-19 cases and 445,535 deaths¹.

The health emergency escalated quickly around the world. In Alberta, on March 4, 2020 the Chief Health Officer stated that there were no presumptive cases in the province and that the risk was low, and by March 17, 2020 there were 102 confirmed cases and a public health emergency in response to COVID-19 was declared by Alberta's Premier. As of June 17, 2020 there were 7,530 cases and 151 deaths in Alberta with 747 of those cases and 13 of those deaths in Edmonton².

As a means to contain the spread of COVID-19 and prevent healthcare systems from being overwhelmed, virus containment public health policies were implemented around the world. The most effective non-pharmaceutical intervention that was implemented was mass social or physical distancing, which included the closing of schools and workplaces.

While this containment policy produced desirable public health outcomes and saved many lives, it also was the primary driver of a global recession through the following series of events:

1. Physical distancing required the closure of many workplaces and caused production shutdowns throughout large swaths of the economy, which led to a drop in aggregate supply (supply side contraction);
2. This led to layoffs, higher unemployment and lower household income, which in turn reduced household consumption causing a drop in aggregate demand (demand side contraction);
3. This caused a domino effect as reduced household spending levels further impacted many goods and service producing sectors;
4. Together, the above led to a sharp reduction in global mobility which dramatically reduced global demand for transport fuels, resulting in an excess supply of crude oil flooding the market and contributing to prices crashing in April 2020.

¹World Health Organization

²Government of Alberta

The severity of the economic contraction was thus not caused by the pandemic itself, but by society's containment policies which led to large-scale global economic shutdowns. Even with the gradual reopening of the economy that is underway at the time of this report, fear and uncertainty is anticipated to continue shifting consumer and market behaviour with ongoing economic effects.

A New Fiscal Reality

Prior to COVID-19, the fundamentals of Edmonton's and Alberta's economies were already being challenged by changing global energy market factors. Edmonton's recovery from the COVID-19 recession will take longer than most Canadian jurisdictions due to the city's exposure to energy price volatility. Reaching pre-COVID-19 economic levels is anticipated to take two years. However, 2022 will not mark the end of economic challenges for Edmonton, as pre-COVID-19 conditions were marked by slow growth, high unemployment, systemic deep provincial budget deficits, and inadequate market access for Alberta's resources. The pandemic has layered on a deep recession marked by prolonged recovery and much uncertainty to an already sluggish economy. Some of the fundamental challenges to Edmonton's economy will not be resolved even in 2022. The extremely slow recovery from the 2015-16 recession brought on by oil prices collapsing, layered on with the economic impacts of COVID-19 will significantly constrain the City's fiscal capacity.

A Strategic Opportunity

In 2019 the City developed a new strategic plan, ConnectEdmonton that established a new direction for Edmonton. In 2020, the draft City Plan was developed that outlines the choices that the City and partners will make to achieve the vision described in ConnectEdmonton³.

The City is going to have a leadership role in Edmonton's recovery from the COVID-19 and oil recession, and these plans provide the roadmap to guide us through the rocky times during this recovery. Given their recent development, robust technical studies, research, and engagement, they are still relevant as the desired vision, and can inform an Edmonton-built response to recovery.

COVID-19 doesn't change the destination of these plans; rather, it changes the starting point and the path between this starting point and the destination. Edmonton's fiscal reality is now radically different than when these plans were initiated and achieving them will take more drastic measures, bold action and considerable financial restraint.

Today, the City is at a crossroads. One path contains traditional, "easy" and potentially anticipated decision making where municipal spending is realigned to provide 'essential' services to manage finances with a goal of weathering the storm. The other path consciously aligns services and service levels within the new fiscal constraints and toward the strategic direction established in ConnectEdmonton and the draft City Plan. This path is lined with difficult decisions and choices that prioritize long term



**ALTHOUGH THE FUNDAMENTAL
CHALLENGES BEFORE US CANNOT
BE UNDERSTATED, THIS CRISIS ALSO
PRESENTS AN OPPORTUNITY TO
EMERGE STRONGER THAN BEFORE.**

³ The draft City Plan is the combined Municipal Development Plan & Transportation Master Plan and it has not yet been approved by City Council.

outcomes over short term priorities, with the goal of emerging as a healthy, urban and climate resilient city that supports a prosperous region.

A REIMAGINED Path Forward

This REIMAGINE report presents the City of Edmonton's decision makers with the information required to understand Edmonton's new reality, both economic and social, post-COVID19 in order to choose the path forward for the corporation and inform recovery action.



This report is contextualized as part of a 4-stage model for responding to COVID-19 that was developed to help ground the City's decisions and obligation to define and shape our future. The REIMAGINE phase was initiated to ensure that the City of Edmonton is positioned to make informed decisions and take responsible action to ensure the long term resilience of the organization.

This REIMAGINE report contains four sections:

1. The COVID-19 Possible Futures
2. The critical effects on Edmontonians and Edmonton as a community
3. The impact of these effects on the City of Edmonton's (the corporation) financial position, its strategic priorities as defined in ConnectEdmonton, and its key indicators
4. Recommendations to increase community and corporate resilience and recover from COVID-19 stronger than before with a new REIMAGINED path forward

2. POSSIBLE FUTURES

Containing COVID-19

COVID-19 is highly transmissible and has overwhelmed many healthcare systems when not adequately contained. A property of the disease is that it has a high case mortality rate,⁴ although in jurisdictions like Alberta interventions have been successful in reducing infection rates and the reported case mortality rate for Alberta is much lower than in other jurisdictions.⁵

To date, one of the most effective ways to contain COVID-19 has been to practice extensive physical distancing. While effective it has significant economic and social consequences, particularly when large swaths of the economy are required to be shuttered. The damage already accrued from the economic shutdown is extreme and will have lasting effects on Edmonton.

There are several other containment interventions for slowing the progression of COVID-19 that allow the economy to remain largely open, avoiding the more severe economic and social consequences of a full economic shutdown. These containment interventions are the foundation for safely reopening the economy.⁶ For example, non-surgical face masks are being widely promoted and distributed to Albertans as a simple and effective way to slow the spread of COVID-19. In addition, widespread testing enables early identification and isolation of active cases, and when applied in tandem with contact tracing it enables identification and quarantining of individuals that have been exposed to active cases.

Planning in Uncertainty

As of June 2020, Edmonton, along with the rest of Alberta and Canada endured two months of full economic shutdown due to physical distancing measures to contain the spread of COVID-19, followed by a partial re-opening in mid-May 2020. At the time of this report, Alberta is entering into Stage Two of a three stage economic relaunch to recover from COVID-19.

Entering into the relaunch phase helps to understand, or better predict, the expected intensity of Alberta's and Edmonton's containment measures and the corresponding economic contraction. Understanding these possible trajectories for both the physical distancing and the accompanying economic contraction, gives context to planning in this time of uncertainty and is important for the City's long term recovery plan.

Possible Futures

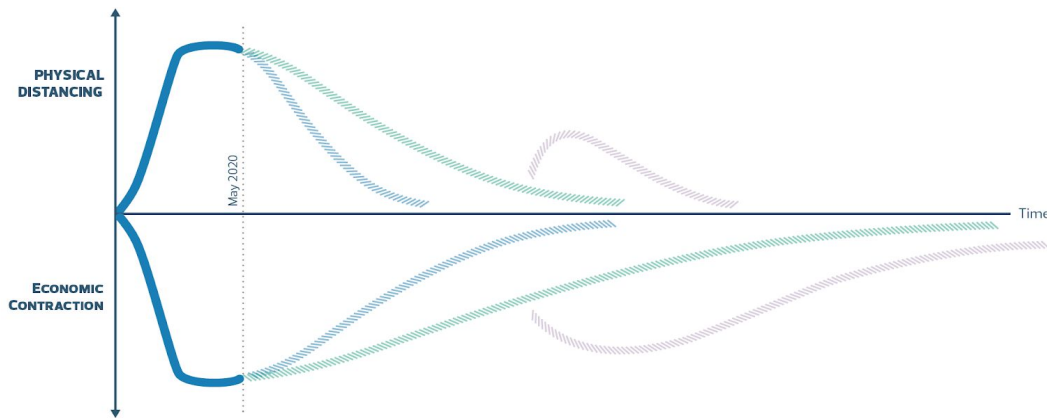
There are many possible ways that COVID-19 will "play out" in Edmonton. Figure 1 shows three possible futures to frame how COVID-19 will affect Edmonton and impact the corporation. These are purposefully illustrative and serve to represent the causation and correlated magnitude between the containment intervention of physical distancing and a corresponding economic contraction.

Figure 1: Possible futures for containment interventions (top) with resulting economic contraction (bottom)

⁴ <https://coronavirus.jhu.edu/data/mortality>

⁵ Alberta COVID-19 cases

⁶ Alberta's relaunch strategy | Alberta.ca



The top curves of Figure 1 indicate the intensity and duration of physical distancing, and will depend on how successful non-distancing interventions prove to be, how the virus ends, and how long it takes to end. Longer and more intense physical distancing curves result in more serious economic damage (top blue and green curves). A longer duration of physical distancing (green curve) significantly extends the duration of the economic recovery, compared to a shorter duration of physical distancing (blue curve).

It is possible that one or more major additional waves of COVID-19 cases could occur, requiring a regression to stricter physical distancing measures (pink curve), essentially returning to the “respond” phase of the pandemic.

Such a resurgence would be detected early by large-scale testing and partially mitigated by non-physical distancing interventions, when compared to the spring 2020 surge in cases, and thus the outbreak could be mitigated more quickly and effectively with less economic damage.

An Alternate Ending

The duration of physical distancing over time will be dependent on the success of non-physical distancing measures, and the elimination of the virus in one of the following ways:

1. **Vaccine:** Artificially acquired immunity. There is still uncertainty about the timeline, effectiveness, and how long vaccine-acquired immunity would last, if or once one is fully tested and approved for global deployment.
2. **Herd Immunity:** Enough of the population are infected by and recover from COVID-19 that transmission is no longer prevalent. This will only be possible if a recovered patient’s antibodies give them long-term immunity from the disease, which is currently unknown for COVID-19.
3. **Endemic in Society:** COVID-19 is never eliminated, but becomes a recurrent disease that society adapts to through normalization of preventative measures and therapies.

Planning for the Future

These futures have been applied in developing the effects of COVID-19 in Edmonton, the impacts to the corporation and strategic recommendations. Across the spectrum of possible COVID-19 futures, these effects and impacts are similar with only the magnitude and severity increasing with more time physically distancing. Thus, the longer this containment measure is in place, the worse the economic contraction will be and the more pressing the recommendations will become.

3. EFFECTS⁷

What are the effects of COVID-19 on Edmonton and Edmontonians?

The magnitude of the COVID-19 pandemic, physical distancing, the economic contraction and oil market crash is unprecedented and is having a profound effect on almost every aspect of the lives of Edmontonians from health, social and economic activities. This situation will result in both immediate and long term effects in Edmonton. This section outlines the effects that are expected to last a minimum of 18-24 months into the future, and continue beyond 2022. The effects all vary in their likelihood, ranging from possible, to probable to certain.

The focus is specifically on those effects that will impact the City of Edmonton's strategic direction as outlined in ConnectEdmonton and the draft City Plan. For this reason, the effects are organized by the four strategic goals: healthy city, urban places, regional prosperity and climate resilience.

Effects Summary	
Healthy City	E1. A New Reality Emerges for Personal Health and Wellness E2. Social Conditions Deteriorate E3. The Middle Class is Disrupted E4. Partners and Agencies Struggle E5. Expectations for Government Change E6. Priority on Personal and Community Safety Increases E7. Value of Community Increases
Urban Places	E8. Population Growth Slows E9. Housing Demand Decreases and Preferences Shift E10. Urban Vibrancy is Challenged E11. Perceptions of Transit Changes
Regional Prosperity	E12. Economy Contracts Deeply Followed by a Slow Recovery E13. Energy Market Contracts E14. Employment Levels Contract E15. Individual and Household Prosperity Declines E16. Small to Medium Sized Businesses Struggle E17. Commercial/Industrial Real Estate Declines E18. Government Fiscal Policy Creates Long Term Challenges
Climate Resilience	E19. Climate Gains are Short Lived E20. Appetite for Climate Change Investment May be Reduced E21. Waste Generation Increases

⁷ Unless otherwise noted, figures and forecasts from the Effects section are from the City of Edmonton forecasts produced by Financial & Corporate Services

Healthy City

COVID-19 is changing the way Edmontonians interact with their families, neighbours, communities and their City. These changes to our everyday lives, experienced unequally among those we serve will have lasting effects.

E1. A New Reality Emerges for Personal Health and Wellness

- Many residents will feel uncomfortable, unsafe, and/or have higher expectations of cleanliness for public facilities and amenities that support their health and wellness—for example recreation centres, pools, Valley Zoo, Muttart Conservatory and golf courses.
- During the physical distancing period, some residents will have purchased personal exercise equipment, cancelled monthly subscriptions for passes, and/or adapted to online or outdoor personal health and wellness programs and will no longer seek out City recreation facilities.
- While large gatherings, arts, culture and entertainment events are temporarily suspended, in the long term it is anticipated that these will return with new operating parameters to maintain participants' health and safety. Extended physical distancing is expected to impact availability of volunteers, permanent closures to operating entities, or the viability of semi-professional sports leagues.

E2. Social Conditions Deteriorate

- Social conditions will decline for all Edmontonians, with the greatest effects felt by Edmonton's most vulnerable. It is expected that poverty, homelessness, those living in inadequate or unsuitable housing, suicide, mental health cases, family breakdowns and domestic disputes will all increase above the current levels for many of these key indicators. The negative effects arising from a decline in social conditions will be experienced differently among women than among men. With a prolonged economic recovery, these deteriorated social conditions will persist for many years. Figure 2 illustrates the relationship between poverty and unemployment, the historical correlation implies that the projected high unemployment rate will be accompanied by higher poverty rates for Edmonton through recovery.

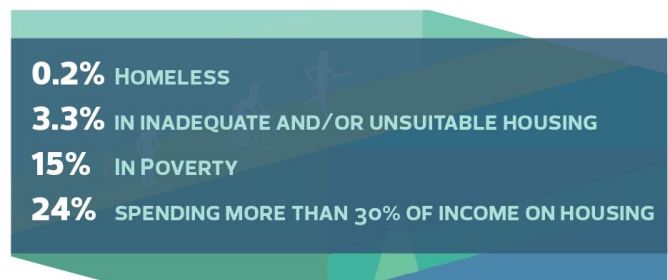
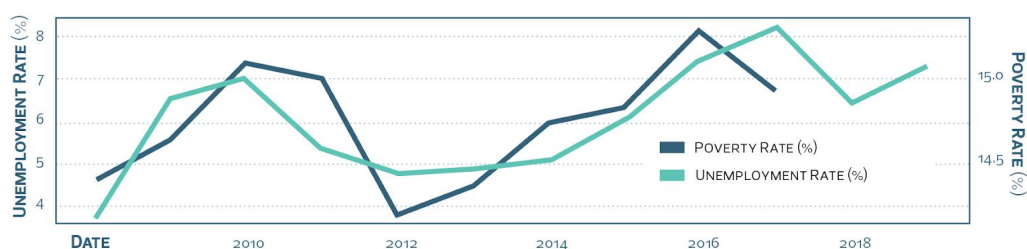


Figure 2: Edmonton CMA Unemployment⁸ and Poverty Rates⁹.



⁸ Statistics Canada. Table 14-10-0096-01 Labour force characteristics by census metropolitan area, annual

⁹ https://drive.google.com/file/d/1Tb_LxEgx7mxcuJWtCqOvI-YTrRCnwmdp/view?usp=sharing

- Social conditions will be further stressed during the recovery period where not all of the population will have disposable income, healthcare benefits, or access to physical, emotional and mental wellness programming, which will further the divide between the “haves” and “have nots.”

E3. The Middle Class is Disrupted

- From joblessness, mental health challenges, reduced affordability for childcare, eroded standard of living, and inadequate government supports, those in the middle class will be disrupted by COVID-19 and the ensuing recession. This includes newly graduated students and those new to the labour force who will struggle to find employment, women who carry a disproportionate burden with childcare and a greater proportion of part-time work and frontline occupations, as well as mature workers who are not able or willing to retire as early, or when originally planned prior to COVID-19.

E4. Partners and Agencies Struggle

- Social services are provided to Edmontonians by a network of partners and agencies, most of which are not-for-profit, operating on the basis of government grants and supported by volunteers. Many of these agencies will not only see an increased demand for their services due to deteriorating social conditions and a disrupted middle class, but they will also experience financial pressure due to the shutdowns during the physical distancing period, and could experience reductions in funding in the form of grants and donations.
- Some of these partners may cease operations or permanently collapse during the physical distancing period. While remaining agencies will seek more financial support from the City and Province, Edmontonians who require services will still have unmet needs.

E5. Expectations for Government Change

- During the pandemic response, governments at all levels, through the issuance of states of emergency and related health response directions, have played a very direct and immediate role in the lives of those they serve. Residents have interacted with government differently than usual. Precedents have been set for relatively more agile and nimble decisions and actions, and a demonstrated ability for governments to engage digitally will be difficult to retract post-pandemic.

E6. Priority for Personal and Community Safety Increases

- The crisis is likely to increase crime rates due to ongoing economic hardships, which would threaten Edmontonians’ actual and/or perceived safety. This may exacerbate Edmonton’s current position as having the highest national standard Crime Severity Index when benchmarked against the other big cities in Canada.¹⁰ Notions of personal safety will also be expanded to include heightened expectations for public health amid COVID-19.

E7. Value of Community Increases

- As a “community of communities”, a positive effect in Edmonton may be a heightened value for community. This includes a desire to live locally, Edmontonians continuing to

¹⁰ Statistics Canada. Crime severity index in Alberta, British Columbia, Quebec and Ontario

develop relationships with neighbours, community leaders playing a vital role in connecting their communities, increased emphasis on buying local and a desire to ensure basic needs can be met within the community.

Urban Places

COVID-19 will disrupt Edmonton's urban places, from where Edmontonians work, move around, and choose to live, to the vibrancy and prosperity of the city's gathering places.

E8. Population Growth Slows

- Edmonton has historically had a high growth rate relative to the other Canadian Big Cities. However, population growth is expected to slow to 1.7% for 2020, amplifying an existing downward trend that has seen growth rates drop amid Alberta's energy sector challenges from 2.8% in 2016 to 2.1% in 2019. In 2020 alone, the net international migration to Edmonton will be reduced by approximately 5,000 people due to the weak economy and travel and mobility restrictions.¹¹
- The slower growth rates are anticipated to be in the 1.7% to 1.8% range in 2021 and 2022, then further slow to 1.6% in 2023¹². This long term trend is the result of the slow economic recovery, energy sector challenges, high unemployment, and potentially reduced number of students moving to and residing in Edmonton due to an expansion of online post-secondary programming starting in 2020/21.

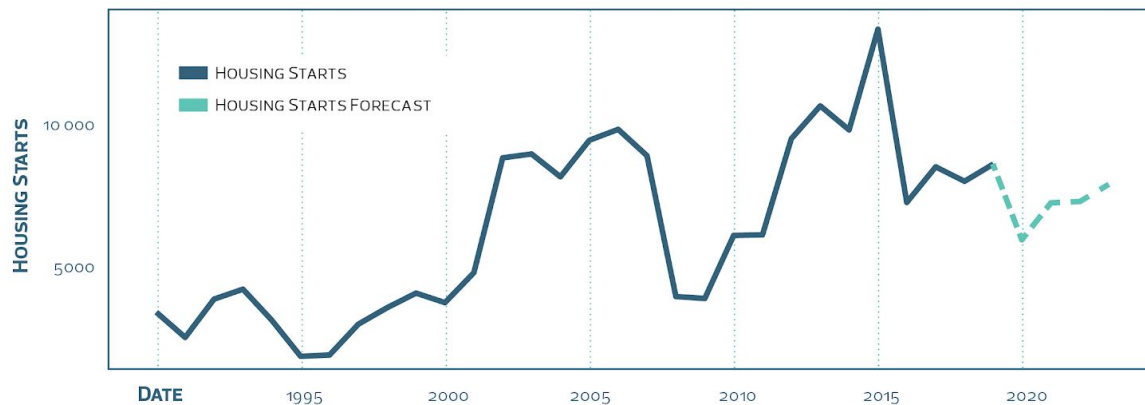


E9. Housing Demand Decreases and Preferences Shift

- Reduced consumer confidence and growing price sensitivity is anticipated to reduce overall demand for housing, leading to decreased housing starts during the recovery period. Specifically, reduced construction building intentions due to the economic contraction, alongside physical distancing mandates, are anticipated to reduce 2020 housing starts by 30%. Figure 3 shows that Edmonton housing starts have already dropped significantly since a high in 2015.
- Compounding the decrease, the potential drive to new neighbourhoods and open spaces could create additional pressures on outward growth, with the possibility for entrenching or increasing demand for single family homes.
- Changes to consumer confidence, personal incomes and consumer debt levels may shift some housing demand to the rental market, and keep existing renters renting for longer durations.

¹¹ City of Edmonton forecast

¹² City of Edmonton forecast

Figure 3: Edmonton CSD Housing Starts**E10. Urban Vibrancy is Challenged**

- Many small and local businesses will permanently close, others will be crowded out of the market by larger firms, and many entrepreneurs will become risk averse. These factors overall will suppress both business activity and commercial real estate demand, affecting Edmonton's urban vibrancy.
- Consumer trends may drastically change and impact mainstreet vibrancy due to the accelerated adoption of e-commerce, people working from home and the corresponding drop in demand for urban amenities and services. There may be decreased public safety perception due to the "broken window theory" if vacant buildings emerge throughout the city, along with decreased perception of personal health and safety in public spaces.

E11. Perceptions and Use of Transit Changes

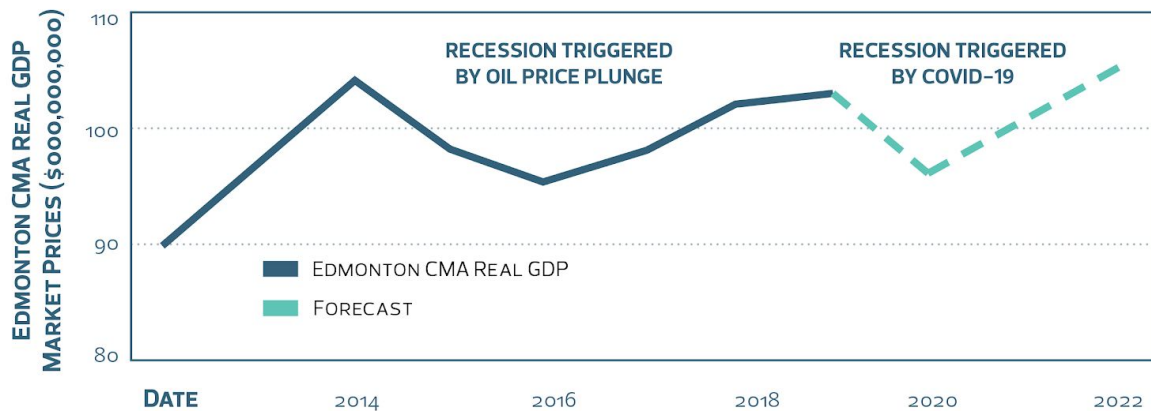
- It is anticipated that riders with transportation alternatives will reduce their transit utilization for a myriad of reasons. These may include remote working possibilities, preferences, the availability of alternative transport, and elevated concerns over health and safety risks.

Regional Prosperity

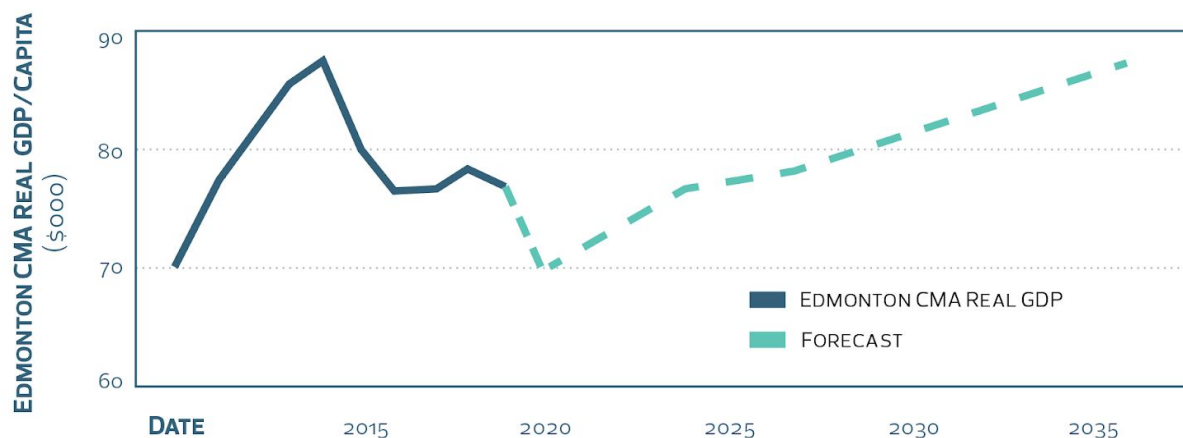
The economic contraction arising from COVID-19 will hit Edmonton very hard. Significant economic difficulties are on the horizon, and will persist for several years.

E12. Economy Contracts Deeply, Followed by a Slow Recovery

- Edmonton CMA's GDP is anticipated to contract by -6% to -8% year over year in 2020. Recovery will not instantly occur once physical distancing orders are lifted and businesses are gradually reopened. Instead, Edmonton will experience a "U-Shaped" recovery, with GDP not expected to return to pre-COVID-19 levels until 2022.
- Figure 4 depicts a near-decade of lost economic growth in Edmonton due to two back-to-back recessions. Edmonton's real GDP is not anticipated to reach 2014 levels until 2022, which reflects a staggering 8 year period for output levels to recover to where they were prior to oil prices collapsing.

Figure 4: Edmonton CMA Real GDP (\$Billions)

- Edmonton's real GDP per capita has plunged, and is not anticipated to recover to 2014 levels until 2036. This suggests that it will take over 20 years for prosperity in the region to return to levels observed in 2014 (Figure 5).

Figure 5: Edmonton CMA Real GDP Per Capita (\$000s)

E13. Energy Market Contracts

- COVID-19 containment policies shut down major sectors of the global economy, dramatically reducing global demand for crude oil as physical distancing sharply reduced mobility, and thus demand for transport fuels. In the 2nd quarter of 2020, global oil demand plummeted by 20 million barrels per day (mb/d), resulting in an excess supply flooding the market and causing prices to crash in April 2020.¹³ Global oil supply fell by 11.8 mb/d in May 2020, easing some of the excess supply pressures and lifting prices somewhat,¹⁴ but global oil markets are anticipated to remain soft with 2020 oil demand anticipated to be reduced by an unprecedented 8.1 mb/d, year over year.¹⁵ Figure 6 shows the relationship between Edmonton's GDP and Alberta's oil production over time.
- The Transmountain Pipeline Expansion Project will ease some of Alberta's supply bottleneck issues when it comes online in December 2022, reducing some of the price

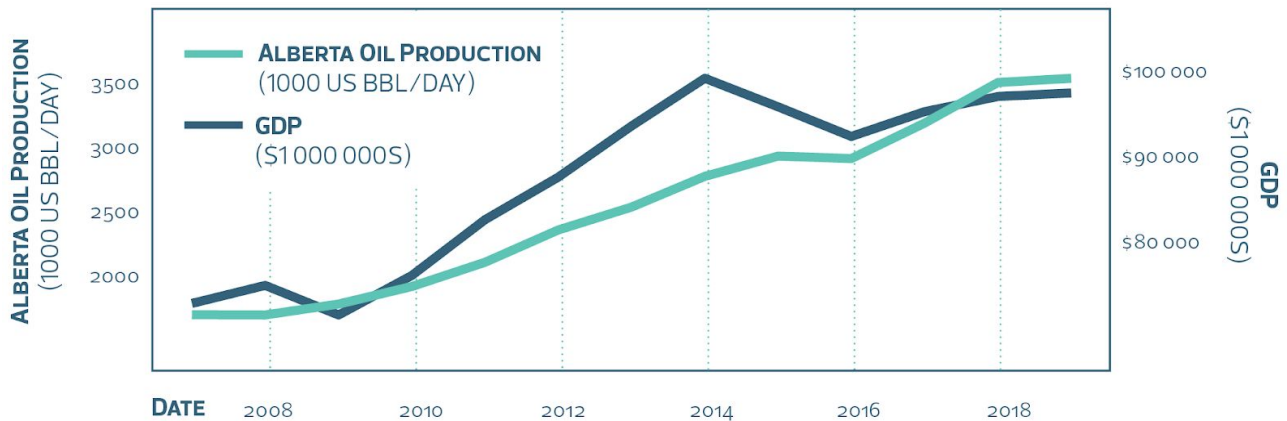
¹³ International Energy Agency: Oil Market Report

¹⁴ International Energy Agency: Oil Market Report

¹⁵ International Energy Agency: Oil Market Report

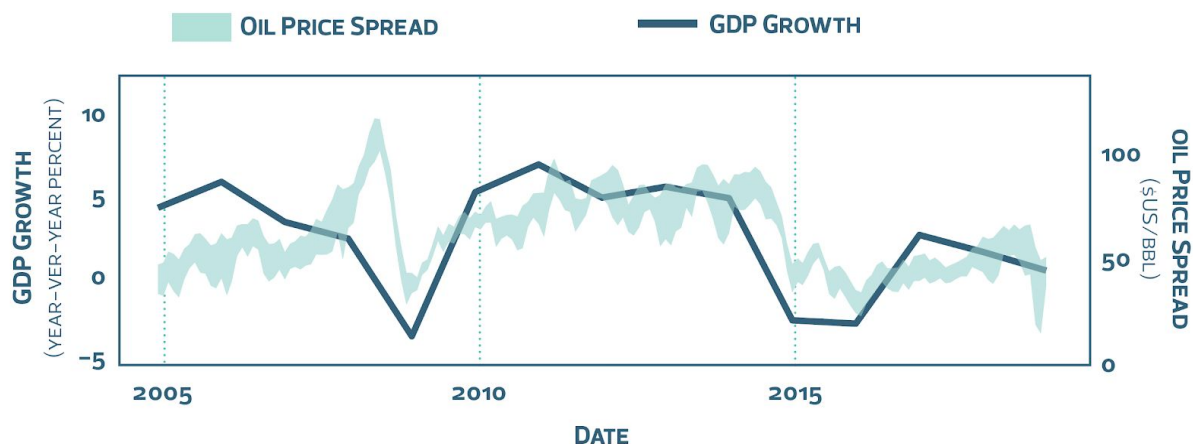
discount received on Alberta crude oil. This project will increase the existing pipeline's capacity from 300,000 barrels per day (bbl/d) to 890,000 bbl/d.

Figure 6: Edmonton CMA GDP and Alberta Oil Production¹⁶



- As global oil demand will take time to recover from this global crisis, this presents an additional problem for Edmonton's and Alberta's economies, making their contractions deeper and their recoveries even more challenging and prolonged. The discounted prices for Alberta energy resources will persist due to market access challenges. This will challenge the Province's fiscal position in light of the importance of energy revenue to the Government of Alberta and the provincial economy. Locally, Edmonton's economy will struggle as it relies heavily on the energy market as a key supplier and supporter of the same. Figure 7 shows this relationship as illustrated by GDP growth in the Edmonton CMA and oil prices over time.

Figure 7: Edmonton CMA GDP Growth and Oil Prices¹⁷



E14. Employment Levels Contract

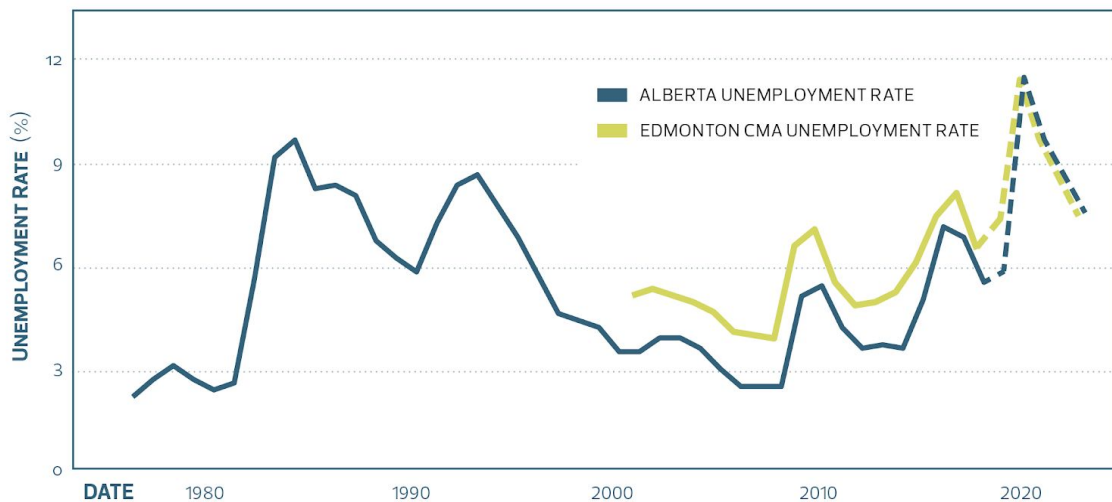
- The Edmonton CMA will shed approximately 50,000 jobs in 2020 and the unemployment rate is anticipated to spike to an unprecedented 11% to 12% range in 2020. Edmonton's unemployment rate is anticipated to return to pre-COVID-19 levels in the 7.5% range in 2023, which is still a relatively high unemployment rate. Figure 8 shows historical and

¹⁶ <https://economicdashboard.alberta.ca/OilProduction>

¹⁷ <https://economicdashboard.alberta.ca/OilPrice>

projected unemployment rates for the Edmonton CMA, and Alberta. Alberta is provided for additional historical context, and it is notable that the projected unemployment rate for 2020 is higher than any other year since this record began in 1976.

Figure 8: Alberta¹⁸ and Edmonton CMA Unemployment rates¹⁹



- On top of the persistently high unemployment rates that will impact all sectors, any cuts to public sector jobs will further contribute to Edmonton's employment challenges. The public sector accounts for 28% of Edmonton Region employment: education (7%), health care and social assistance (14%) and public administration (7%).

E15. Individual and Household Prosperity Declines

- Economic and employment challenges affect people and families. As prosperity of the region declines, so too does the prosperity of Edmontonians. There will be a significant financial burden on Edmontonians as personal incomes decrease, personal bankruptcies and mortgage defaults increase, household/consumer debt grows, and in the long term, paying down personal debt will reduce household disposable income. All of this will further compound the economic crisis as fear and uncertainty reduces consumer confidence and ability to spend in the market.

E16. Small to Medium Sized Businesses Struggle

- Independent, locally-owned, and small to medium sized businesses will be hardest hit as they generally have less ability to absorb significant shocks. This means that many businesses that will not withstand the disruption will go bankrupt and permanently close. The financial pressures will be one cause of this, but the rise of e-commerce and consumer familiarity and comfort with online shopping will be another. This will create uneven distribution of local effects based on business type and ability to pivot to online and new delivery models. While there might be minor mitigations in form of "buy local" sentiment among Edmontonians, this may not be enough to maintain these businesses.

¹⁸ Statistics Canada, Table 14-10-0018-01

¹⁹ Statistics Canada, Table 14-10-0096-01

E17. Commercial/Industrial Real Estate Declines

- Growth in Edmonton's downtown commercial real estate will halt as downtown vacancy escalates based on poor economic conditions, employment losses, and an increased business preference to work from home. Prior to COVID-19, the Q1 2020 downtown commercial office vacancy rate was 15.53%²⁰, which was high compared to the historical average of 12%²¹ (this higher rate was in part due to new tower construction and a 'flight to quality' rather than a 'shedding' of office space).
- Given Edmonton's historically high household incomes and disposable incomes, there is a high volume of commercial retail square footage throughout the city to support retail demand. With the new economic conditions, including higher unemployment and decreased household income, there will be a reduction in retail demand that drives vacancies in commercial-retail real estate. This will affect all commercial-retail real estate generally, with "self contained" malls, main streets, strip malls and power centres all at risk.
- Industrial real estate will follow the industrial market, which may also see softness in the near term. Cost of business may have a heightened influence on business location decisions throughout the Edmonton Region.

E18. Government Fiscal Policy Creates Long Term Challenges

- There have been major federal and provincial recovery investments to backstop income losses and push against economic contraction (e.g. bridge funding, income support, mortgage deferrals). This, along with federal and provincial stimulus spending, will result in higher government debt accumulation and debt servicing costs, increasing their challenges of prioritizing funding for programs and services, including how municipalities are funded.
- Edmonton may benefit from some significant "shovel ready" investments to maintain and provide new short term jobs and generate longer term opportunities, particularly where Edmonton's interests align with federal and provincial priorities.

Climate Resilience

COVID-19 produces a range of climate effects, some of which will impact the City's climate commitment to decreasing the carbon footprint from 19.2 tonnes CO₂e per capita to 3.0 tonnes by 2030²².

E19. Climate Gains are Short Lived

- Given the global magnitude of physical distancing, an immediate positive effect on greenhouse emissions and pollution has been experienced in addition to a decreased demand for energy and power. This is the result of the pause in manufacturing, transportation (air travel, heavy transport and commuting), and production. However, as the global economy reopens, it is expected that emissions and energy demand will return to near pre-COVID-19 levels, and CO₂ emissions will continue the pre-COVID-19 rising trend.

²⁰ <https://www.collierscanada.com/en-CA/Research/edmonton-office-statistics-report-q1-2020>

²¹ https://cwedm.com/wp-content/uploads/2019/10/Edmonton_-_Americas_-_MarketBeat_-_Office_-_Q32019-Approved.pdf

²² <https://dashboard.edmonton.ca/Dashboard/Community-Greenhouse-Gas-Emissions/v6md-jsmb/data>

E20. Appetite for Climate Change Investment May be Reduced

- Across government, business and household sectors, the pace of climate mitigation efforts may slow or be deprioritized due to financial challenges in this economic environment. There may be real or perceived affordability challenges for new green buildings, new technologies, energy efficiency, renewable energy and, generally, environmental policies, procedures and projects.

E21. Waste Generation Increases

- Consumer and business waste will increase due to a higher demand for single-use items, personal protective equipment (gloves, masks and wipes), packaging from online shopping, single-use items from take-out-food delivery (cutlery, dishes and packaging), and retailers reverting to single-use plastic bags.

4. IMPACTS

What is the impact of these effects on the City of Edmonton's strategic priorities as defined in ConnectEdmonton and the draft City Plan, its financial position, and its key indicators?

The City's ongoing ability to provide municipal services at expected levels, withstand economic disruptions, maintain its assets, and meet the demands of growth and change will be significantly diminished in the wake of the COVID-19 pandemic and recession. The City will be operating in a new fiscal reality with significant gaps between what it's required to do, and the available financial resources to do them.

This section outlines the COVID-19 impacts that are expected to hit the City of Edmonton in the next 18-24 months and last well beyond. It is organized to align with objectives of the Corporate Business Plan as this new reality impacts how the City makes transformational impacts, provides services and manages the corporation all to achieve the strategic direction.

Impacts Summary	
Make Transformational Impacts in the Community	- I1. Achieving City Plan Targets Will be More Challenging - I2. Capital Transfer Funding Reductions May Reduce Capacity for Transformational Change
Deliver Excellent Services to the Community	- I3. Increased Demand for Services and Service Levels - I4. Business and Industry Increased Demand for Services and Service Levels - I5. Decreased Demand for Revenue Generating Services - I6. Requirement for Regulatory Flexibility - I7. Land Use Planning Changes Required
Manage the Corporation for the Community	- I8. Increased Focus on Intergovernmental and Regional Relationships - I9. Increased Opportunity for Post-Secondary and Community Relationships - I10. Heightened Focus on Workplace Health and Safety - I11. New Work-From-Home Expectations - I12. Excess Land, Property and Facility Assets - I13. Accelerated Requirement for Digital Service Delivery - I14. Increased Reliance on Data - I15. Capital and Operating Transfer Funding May Decrease - I16. Reduction and/or Slower Growth of Program Revenues - I17. Reduction and/or Slower Growth of Utility Revenues - I18. Reduction and/or Slower Growth of Franchise Fee Revenues - I19. Reduced Borrowing Costs - I20. Increased Corporate Expenditures - I21. Long Term Cost of Growth Increases - I22. New Pressures on Property Tax Revenues and the Assessment Base - I23. Difficulty Absorbing Base Budget Inflationary Increases - I24. Difficulty Absorbing Growth Expenditures

Make Transformational Impacts in the Community

I1. Achieving City Plan Targets Will Require a Long Term Strategic Focus

- While not reimagining the City's direction, the impact of the effects is that many of the targets will be more challenging as COVID had a negative impact on the starting point for each of these targets.
 - Reaching a population of 2 million will take longer as growth rates will slow.
 - Eliminating chronic and episodic homelessness and ensuring that no Edmontonian is in core housing need will be further challenged as at-risk populations face increasing economic hardships.
 - Intensification will be more challenging due to market pressures and renewed preference for single family homes over multi-unit housing in the short term.
 - Transitioning Edmontonians to 50% of all trips using transit and active modes of transportation will be one of the most difficult targets to achieve.
 - Maintaining 70% of the region's employment in Edmonton may be harder as relative costs between jurisdictions becomes a more significant factor for employers' locational preferences.
 - Nodes and corridors will require considerable recovery to achieve 50% of all employment in addition to further challenges if work from home is universally adopted.
 - Decreasing greenhouse gas emissions below 135MT and a net per person nearing zero will be even more challenging post-COVID-19 than they would have been pre-COVID-19, and will need prioritization, investment, and technological innovation to be realistic.

I2. Capital Transfer Funding Reductions May Reduce Capacity for Transformational Change

- Most of the City's transformational projects necessitate large infrastructure investments at sustained levels, such as affordable housing, LRT, Yellowhead Trail conversion, or the Energy Transition Strategy. Reductions in capital transfers from either the provincial or federal governments would significantly reduce the City's capacity for transformational change.

Deliver Excellent Services to the Community

I3. Increased Demand for Services and Service Levels

- The effects of COVID-19, the oil price crash and the subsequent recession for Edmontonians will impact the City by increasing the overall demand for public services and the level of services provided that contribute to achieving the strategic direction such as:
 - Declined employment, social conditions, the middle class disruption, and the struggles of many not-for-profit agencies will increase demand for social support services such as individual care and support, housing, and landlord and tenant advisory services.
 - Economic hardship along with a heightened expectation for public health and personal safety will increase demand for services that address those needs.
 - There is an opportunity for the City with the projected increased waste generation to convert this garbage into biofuels and renewable chemicals.
 - Changes in consumer behaviours, business, and employee work locations, will change the demands on waste management and collection.

- Future funding from higher-order governments in the City's climate change programs that could arise in response to COVID-19 may increase demand for energy transition strategies administered in the environmental strategy and policy development service area. This may be dampened by lower consumer confidence in residential energy efficiency investment arising from declining household incomes and prosperity, which will also require a strategic service response.

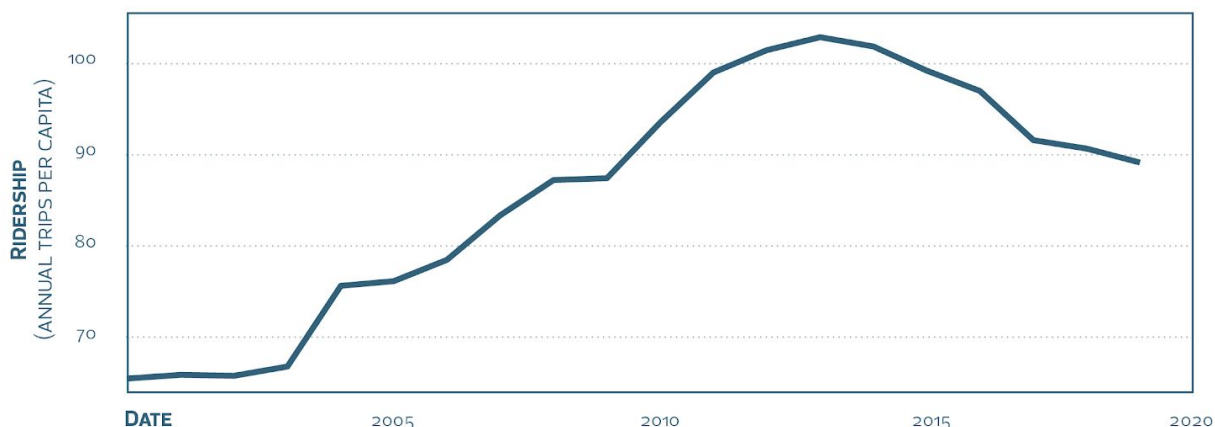
14. New Demands for Economic Development

- The depth of the economic effects will require the City's economic development program to respond accordingly, including:
 - Increased demand for economic development strategy services for long term recovery from employment losses, individual and household prosperity declines and the downward trend of multiple economic indicators
 - The City's business retention and expansion services will be relied upon to support the small to medium sized businesses that will be struggling to recover. These businesses will require information, support and opportunities for funding as well as heightened grant administration related to this service.
 - With significant overall commercial/industrial real estate decline, the residential, commercial and industrial land development service will face new pressures not seen since the 1990s. Business and industry will expect new approaches to incent and maintain investment.

15. Decreased Demand for Revenue Generating Services

- As a new reality emerges for personal health and wellness and resident perceptions of transit change, there will be a decreased demand for Recreation and Culture Programming as well as Transit services that have been declining since 2013, which will impact goal attainment. The effects of COVID-19 such as increased demand for cashless transactions, changes in usage patterns, and reductions of capacity due to health restrictions/mandates are complex and will impact recreation and transit delivery and revenues requiring adjustments to how these services are managed and staffed.

Figure 9: Transit Ridership (average annual trips per person) over time.



16. Requirement for Regulatory Flexibility

- Businesses, partners and residents will all need the City's support in their recovery efforts, and this will include flexibility from the City on existing regulations and controls. In addition, the City's new fiscal reality will put pressure on Administration to become more effective and develop a new, more mature risk tolerance framework that considers the interdependencies of risk decisions. This may impact services such as development services, safety codes and inspection services, bylaw enforcement, recreation and culture facility access, granting services, and others.

17. Land Use Planning Changes Required

- Land use planning changes will need to account for changes in expectations for public realm design in a post-pandemic city as resident preferences grow for public space that can facilitate health and wellbeing. In addition, the shift in preferences for housing will require new land use planning and zoning solutions to drive intensification.

Manage the Corporation for the Community People, Partnerships and Relationships

18. Increased Focus on Intergovernmental and Regional Relationships

- Municipal reliance on funding from other orders of government—and the scarcity of such funding relative to need—will impact the City of Edmonton and regional municipalities profoundly. Productive intergovernmental and intermunicipal relationships necessary to drive service efficiencies and new shared investment opportunities will be crucial to have and difficult to maintain. Increased demand will be experienced by those leading and supporting intergovernmental advocacy and regional and intermunicipal partnerships and cost-sharing agreements.

19. Increased Opportunity for Post-Secondary and Community Relationships

- Demand for affordable, excellent services in the midst of a challenging fiscal environment increases pressure on the City to deliver partnerships that drive outcomes and save money. Post-secondary institutions and community organizations are similarly under pressure to remain viable and relevant to students, clients and the wider community. Increased demand from Council, ELT and other organizational leaders for innovative partnerships—including consideration of P3 solutions that can cut across sectors—will be experienced by business areas of the City that lead in our important external facing community relationships

Employee Experience and Safety

110. Heightened Focus on Workplace Health and Safety

- As with all employers there will be a heightened focus on workplace health and safety that will require City response and action. Protocols due to physical distancing requirements may be long lasting, changing the way employees work and interact with one another, the way workplaces are configured and the way services are delivered. This will include a new policy for sick time, as in a COVID-19 world there will be a necessity to ensure all staff are distancing from the workplace with even minor symptoms of illness, including staff with job

types that do not enable them to work at home. There will be more requests to use sick time from employees with any symptoms of illness, impacting staff productivity to deliver services and increasing staffing costs moving forward.

I11. New Work-From-Home Expectations

- Roughly 35% of employees at the City of Edmonton are currently working from home (3,414 out of 9,745 of the City's full time, permanent and temporary workforce). Due to the nature of the work for the remaining 65% of employees, it is either difficult or not possible to work from home (i.e. transit, waste, parks and roads etc.). Employees are adapting quickly to their new reality and are productive, proving that flexible work may be feasible in the long term.

Project and Asset Management

I12. Excess Land, Property and Facility Assets

- Changes with future City service requirements will create an excess in existing physical assets such as land, property and facilities.

Technology and Data

I13. Accelerated Requirement for Digital Service Delivery

- The projected increased demand on efficiency and simplicity will accelerate the City's transition to digital service delivery. There is currently no comprehensive corporate approach to the creation and management of digital services, and this is likely to change.
- Remote work increases the cyber security "attack surface" (or exposure) for the City. This additional risk is exacerbated by increasing global cyber attacks associated with COVID-19.

I14. Increased Reliance on Data

- In responding to COVID-19, the City will need to rely heavily on data, information, metrics and measures to support agile decision making. Quantitative data will help in advocating for operating cost recovery, demonstrating an impact to services, communicating new expectations, reallocating and reducing staff, making changes to service levels, managing new fiscal constraints etc. Care will be required when leveraging historical data, as behaviours and preferences may have changed as a result of COVID-19.

Financial Impacts

I15. Capital and Operating Transfer Funding May Decrease

- The federal government's unprecedented levels of stimulus, recovery, and bridge funding will result in elevated debt costs, which may challenge its capacity to maintain capital and operating funding transferred to Edmonton.
 - If there were reduced federal capital transfers to Edmonton it would significantly limit the City's ability to advance its capital program.
 - If the federal gas tax transfer (operating) were reduced, it would impact the City's dedicated revenues currently applied to service South LRT debt charges, which

- would require the City to backfill those lost revenues with tax support to continue meeting its existing debt obligations.
- The provincial government's fiscal challenges may reduce its capacity to maintain provincial and operating transfers to municipalities.
 - If provincial capital transfers to Edmonton were reduced, it would significantly limit the City's ability to advance its capital program.
 - If provincial operating grants to the City were reduced, it could impact the City's delivery of social services,²³ police services,²⁴ and library services.²⁵

I16. Reduction and/or Slower Growth of Program Revenues

- Various City programs and services will see reduced and/or slower growth of their revenues, which will impact service delivery or place strain on the tax levy if requests for tax support are made. Some of the more significant program revenue impacts are:
 - Reduced construction building activity levels reduce and/or slow the growth of development and building permit revenues. The Planning and Development Reserve is projected to be depleted in early 2021 under current trends requiring more support from the tax levy.
 - Reduced transit fare revenues from lower ridership in the short term, followed by slower revenue growth in the medium term.
 - Reduced user fee revenues from lower attendance at community and recreation facilities in the short term, followed by slower revenue growth in the medium term.
 - Reduction and/or slower growth of business licence revenues and vehicle for hire business licence revenues.
 - Reduction and/or slower growth of various parks and roads services revenues: OSCAM Permits, Right of Way (ROW) revenues, traffic controls revenues, parking services revenues, and asphalt and concrete restoration revenues.

I17. Reduction and/or Slower Growth of Utility Revenues

- The lower rate of household formation will slow the growth of regulated rate customers, reducing the growth of regulated rate utility revenues. There will be a reduced tolerance for Waste Utility Fee increases as households experience financial strain. Lower levels of economic activity will reduce and/or slow the growth of revenues from Eco-Stations, commercial collections, the Material Recovery Facility, and commercial self haul.

I18. Reduction and/or Slower Growth of Franchise Fee Revenues

- Permanent shifts to work from home in some industry sectors will impact natural gas consumption among commercial buildings, which may reduce and/or slow the growth of gas franchise fee revenues.

²³ The City receives the Family and Community Support Services (FCSS) Grant.

²⁴ Edmonton Police Service receives the Municipal Police Assistance Grant (MPAG), Police Officer Grant, and 911 Grant.

²⁵ Edmonton Public Library receives the Public Library Grant.

I19. Reduced Borrowing Costs

- Interest rates are anticipated to remain low throughout the recovery and possibly for some duration afterward, reducing the City's cost of borrowing for capital projects. This will reduce tax levy impacts on debt charges incurred for any set amount of borrowing.

I20. Increased Corporate Expenditures

- Under a more severe scenario with subsequent financial market crashes due to the ongoing presence or resurgence of COVID-19, the City's Local Authorities Pension Plan (LAPP) employer contribution rates may increase due to poor fund performance, which will increase personnel costs.
- Federal Employment Insurance (EI) employer premiums may increase due to the unprecedented EI stimulus benefits in Q2 2020, higher recipient volumes due to ongoing high unemployment rates throughout Canada in the wake of the pandemic, and/or an ongoing expanded scope of the EI program, should that arise. If this occurs it will increase the City's EI employer premiums, which will drive personnel costs.

I21. Long Term Cost of Growth Increases

- If market preferences further pull development towards greenfield areas, the City will incur higher long-term life-cycle costs for linear infrastructure. This could reduce the City's financial viability in the long term.

I22. New Pressures on Property Tax Revenues and the Assessment Base

- The City's operating budget is largely funded by property taxes. In 2019, property taxes made up approximately 56% of total operating revenues. Approximately 53% of the 2020 tax levy was paid by residential and "other-residential" properties, and 47% by non-residential properties. Post-COVID-19, there will be large segments across both tax bases unable to absorb, or tolerate, tax increases. Given the City's high reliance on property tax, affordability limitations on tax levy increases will constrain overall revenue growth levels in the following ways:
 - The economic contraction, recovery, and underlying challenges to Edmonton's economic fundamentals will slow construction building activity which will slow residential and non-residential real taxation growth.
 - High unemployment, reduced business revenues, and impacts to household income will reduce tolerance for residential and non-residential property tax increases, with growing segments of society demanding tax reductions.
 - Reductions in assessment values within Community Revitalization Levy (CRL) areas will reduce CRL taxation revenues impacting the timing of CRL projects.
 - Assessment shifts across non-residential subclasses will see certain properties experience greater tax increases while others experience tax decreases, all subject to how non-residential property values shift relative to one another. This may create demands on the City to mitigate these distributive effects. It may also create additional downward pressure on non-residential tax tolerance as affected property owners will not want any distributive effects amplified from tax increases.

- In addition, there will be new regional pressures on the City's tax base, including:
 - The challenging economic environment may make more cost-sensitive businesses with limited need for the urban services that Edmonton provides inclined to set up new or move existing businesses to lower cost jurisdictions in the region. This would erode the City's non-residential tax base and non-residential assessment growth, affecting the City's incremental revenues and its long-term financial viability.
 - Ongoing economic challenges may increase interest among stakeholders for the City to apply *Bill 7: Municipal Government (Property Tax Incentives) Amendment Act, 2019*²⁶ and create lower-tax non-residential districts. While an application of Bill 7 could be used to attract investment or be used in partnership with other municipalities as a tool for joint investment attraction, it could ultimately reduce the City's tax revenues, and/or cause a "race to the bottom" for tax rate competition across jurisdictions.

123. Difficulty Absorbing Base Budget Inflationary Increases

- In most years personnel costs are the single largest cost driver for the organization, and comprise a large component of base budget increases. These cost increases are largely driven by collective agreements on wages, salaries, and benefits, and to a lesser extent by in-range merit increases. As an example: with the City's current workforce, a 2% cost-of-living adjustment on all in-scope and out-of-scope personnel in 2021 would drive an incremental expenditure increase of approximately \$27 million, or a 1.6% tax increase.²⁷ Under a low tax tolerance environment, absorbing incremental base expenditures becomes increasingly challenging, as base increases alone can consume what limited tax room is available, leaving no room to advance the strategic plan or Council's goals.

124. Difficulty Absorbing Growth Expenditures

- Under a low tax tolerance environment the City will be challenged to absorb operating expenditures for new services, enhancements to existing services, debt servicing charges, and operating impacts of capital. The latter reduces the City's capacity to absorb capital projects with relatively higher operating impacts.

²⁶ On June 28, 2019, *Bill 7: Municipal Government (Property Tax Incentives) Amendment Act, 2019* was given royal assent. The bill is meant to help municipalities attract investment and development by enabling them to offer property tax incentives (e.g. reductions, exemptions or deferrals) for specific classes of businesses, giving the flexibility to tailor tax incentives to local conditions. Municipalities can develop criteria for these exemptions based on geography, type of business and other characteristics, and these exemptions can be provided for up to 15 years (with option for renewal).

²⁷ This includes a 2% increase for Police and Library personnel, and in-range merit increases.

5. STRATEGIC RECOMMENDATIONS

What should the City of Edmonton do?

Edmontonians, City Council and the City of Edmonton collectively built a vision for Edmonton in 2018-2019. This vision is about building a healthy, urban and climate resilient city that supports a prosperous region.

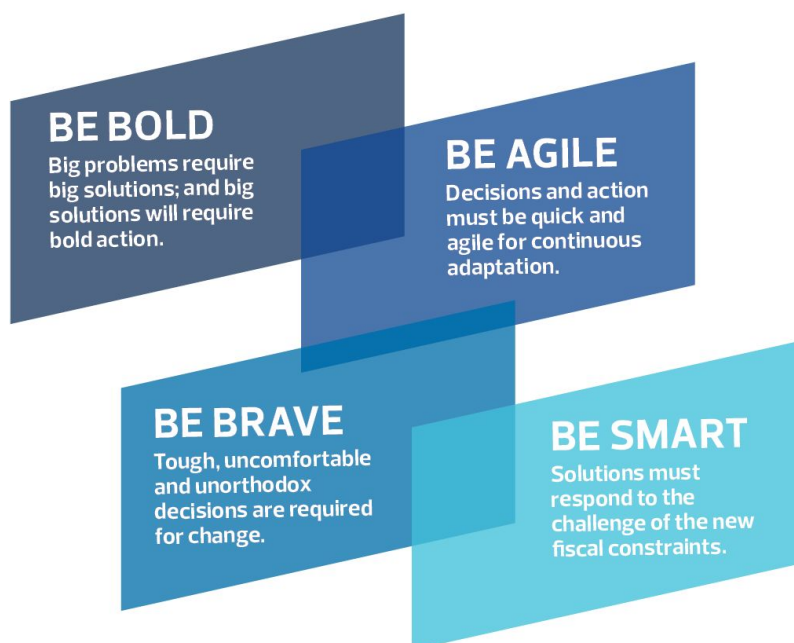
This section outlines the recommended actions for the City to recover and emerge from this crisis stronger than before and on track to achieve the vision. A phased implementation approach is required as the recommendations are not all intended to be completed at once. Moreover, some represent tradeoffs and reflect choices that need to be made.

The various recommendations in the report are grouped under five key themes:

- *Reimagined City Building*
- *Reimagine Services*
- *Modernizing the Workforce*
- *Relationship Based City*
- *Financial Viability*

Recommendation Principles

All recommendations are underpinned by four guiding principles:



Recommendations Summary	
Reimagined City Building	- R1. Recover in Accordance with the Big City Moves - R2. Implement The City Plan - R3. Integrate Plans - R4. Re-Evaluate City Land Development Projects Against Market Factors - R5. Establish Targets with City Council - R6. Implement the Growth Management Framework
Reimagine Services	- R7. Reduce and Eliminate Services - R8. Reconsider the Priority of Council Initiatives - R9. Reduce Restrictions to Businesses and Partners - R10. Evaluate Private Sector Service Alternatives - R11. Create and Utilize Digital Solutions - R12. Prioritize Data for Recovery and Beyond - R13. Undertake GBA+ on Future Actions
Modernizing the Workforce	- R14. Develop a Flexible Work Policy - R15. Leverage Existing Governance Capacity - R16. Create an Agile Workforce - R17. Review Compensation in Accordance with Market Rates
Relationship Based City	- R18. Prioritize and Formalize Relationship and Partnership Approach - R19. Expand Partnerships with Federal and Provincial Governments, Municipalities and Post Secondary Institutions - R20. Rethink Engagement, Prioritize Action
Financial Viability	- R21. Reduce Full Time Equivalents (FTEs) - R22. Prioritize Infrastructure Renewal Before Growth - R23. Prioritize Capital Ahead of Operating - R24. Limit Tax Increases - R25. Review Land, Property and Facility Assets - R26. Assess the Market Viability of Redevelopment Plans Before Investing - R27. Increase Cost Recovery Levels - R28. Increase Cost Recovery of Regulatory Services - R29. Increase Use of Cost Distribution/Sharing Tools

Reimagined City Building

R1. Recover in Accordance with the Big City Moves

The draft City Plan's Big City Moves are the strategic recommendations that will enable Edmonton's recovery. They are what the City should be focused on and how resources should be realigned to recover. In addition, these Moves should be branded as a critical piece of storytelling within Edmonton's recovery plans. This storytelling needs to be deliberate and support attracting and retaining investment and talent into Edmonton. While many cities will start developing their story and building their campaigns towards how they are recovering post-COVID, Edmonton's story is written—it just needs to be told. Before telling this story, the Moves, and their tradeoffs, need to be clear:

- A. Inclusive and Compassionate will play a key role in achieving Healthy City. This prioritizes supporting the most vulnerable.
- B. A Rebuildable City and Community of Communities are focus areas for transforming our Urban Places. These moves are about intensifying the City, creating livable districts and transitioning from a car-centric city to transit and active modes of transportation. This goal will be more difficult to achieve post-pandemic.
- C. Catalyze and Converge is critical to achieving Regional Prosperity. The shape of Edmonton's economic recovery will be determined largely by major economic and geopolitical forces well beyond the control of the City of Edmonton and Edmontonians. However, with the levers available to it, the City should encourage and support a broadening of our economy away from our dependence on oil and gas. Action in this goal needs to recognize that the City can enable investment, but we do not lead it.
- D. Greener as We Grow is the City's acknowledgement that as growth (and now recovery) occurs, it can be a catalyst for good design and conscious decisions. As the critical path to Climate Resilience, it creates focus on adaptation with less pressure to change the trajectory on clear air and water.

R2. Implement The City Plan

The draft City Plan is bold. It calls out where the City's trajectory will not be enough to achieve the goals of ConnectEdmonton. It requires big systemic change for how the City works internally and externally with partners, businesses, post-secondary institutions and residents. But it is uniquely Edmonton. It was built on leveraging the strengths, limitations, and realities of Edmonton to build a better future; and the values approach makes it as relevant in a post-COVID-19 world as it was before the pandemic. It was built to be agile, and it is passing its first test.

As a foundational element informing this Reimagine report, City Plan approval should be sought as early as possible so as to support the other Reimagine recommendations. In light of the substantial public engagement that informed City Plan development, City Plan should be brought to public hearing in September and then directly to City Council.

R3. Integrate Plans

The City's Strategic Planning Framework is an agile framework for building a great city. Business Plans (both Corporate and departmental/service) are the action plans to achieve ConnectEdmonton (the direction) and the draft City Plan (the choices). They are based on

performance, budgets, risks and service demands. “Recovery plans” should be incorporated into this existing architecture which can be adjusted as required. They would then include the actions that each service is taking to not only recover from the pandemic, but also the actions to implement the draft City Plan which should be aligned to each other and further aligned to the new budget constraints.

R4. Re-Evaluate City Land Development Projects Against Market Factors

The City of Edmonton has invested capital or is planning to invest capital into large-scale land development projects that support transformational change. Given the complexity of the new economic environment, the market viability of these projects should be independently evaluated to provide options for future consideration. Furthermore, with the possibility of lower rates of mature neighbourhood land absorption, independent evaluation should be given to the volume of land supply the City is introducing, and whether that additional supply competes with other City development projects or priority nodes and corridors

R5. Establish Targets with City Council

The draft City Plan’s stretch targets are long term and ambitious, yet achievable. However, they are aspirational targets for a city of 2 million people, which is several decades away. Establishing shorter term targets with City Council for the draft Plan’s Strategic Measures is critical. Measurements within the Enterprise Performance Management framework show progress against what is in the City’s control to achieve the stretch targets and goals. Having candid conversations to establish targets with Council for these measures will:

- Establish priorities in light of the COVID-19 and oil recession (for instance, Council and Administration may set more aggressive targets on measures connected with Catalyze and Converge / Regional Prosperity for the next few years to recover the economy, than on targets for Community of Communities / Urban Places);
- Develop a common understanding of success in the first implementation phase to 1.25 million people;
- Ensure data driven decision making, which is aligned with the recommendation to prioritize data in the lessons learned from past municipal events; and
- Support the development of the 2023-2026 budget in alignment with achieving the targets and priorities established by Council.

R6. Implement the Growth Management Framework

Numerous municipal services and capital programs have cost drivers that are driven by distances or length; for example, roads, sidewalks, street lighting, drainage, LRT, and others. Factors such as density, urban design, geographic footprint, and infrastructure design standards will influence the developers and City’s expenditure obligations to both build and maintain linear infrastructure assets. These long term expenditure obligations reduce the City’s financial viability, particularly when the urban development is lower density. The City should prioritize the draft City Plan’s objective to advance a more financially efficient, compact way of city building to improve its net financial efficiency.

This would be accomplished through implementation of Edmonton’s Growth Management Framework. At the highest level, this Framework is informed by regional planning and is brought

to life by an integrated approach to policy, infrastructure planning, growth priorities, high-level financing plans and the deployment of targeted fiscal tools. The Framework is supported by a phasing strategy for population growth increments of 250,000 people for a total of two million. In the short to medium term, the activation approach to support anticipated long term growth will be linked to the City's financial process through the four-year corporate business plan and corresponding municipal budget.

This is a forward-thinking recommendation, and any significant improvement through intensification and urban design will not realize a financial benefit in the short to medium term, but the long term impact is significant. In addition, existing new greenfield neighbourhoods are built at an increased density from older neighbourhoods and this should be recognized. The City Plan provides the land and urban framework to accommodate one million more people within Edmonton's existing boundaries in a fiscally prudent manner and welcome 520,000 more jobs that will help grow not just the city, but the region.

Reimagine Services

R7. Reduce and Eliminate Services

As Edmonton recovers from the COVID-19 recession, some services will see increased demand and others will see diminished demand. However, notwithstanding demand, in order to achieve ConnectEdmonton and the draft City Plan there will be no option in the new fiscal environment but to expediently adjust services and service levels. While "alignment" to the plans can be found among all public facing services, an analysis of the "impact" to building our future city and maintaining our essential city must be completed to inform decisions.

Action to achieve service reductions should take three forms:

- A. **Limit Relaunching Services:** During the RELAUNCH phase, expedited consideration should be applied to the service demand and service level required for the services that have been "paused". Where appropriate, these services should be reduced and/or eliminated before work is resumed.
- B. **Expedited & Enhanced Program & Service Review (PSR):** An expedited and enhanced review process should occur on the City's top 5 services as these account for approximately 50% of the City's FTE's and a relatively proportionate equivalent percentage of the budget. Subsequent to the top 5 review, all programs and services should be reviewed under this enhanced process.
- C. **Complete Enhanced Prioritized Budgeting:** The enhanced prioritized budgeting process, or equivalent, that is intended to be completed for the 2023-2026 budget cycle must intensively scrutinize existing programs and services and assess what services and what service levels need to be, and financially can be. Through this process, the City will need to make harvestable reductions in its base Operating Budget that can be reallocated towards priorities for building the future city and maintaining our essential city.

R8. Reconsider the Priority of Council Initiatives

Like some of the services and sub-services currently delivered by the City of Edmonton, there is a legacy with Council Initiatives that may no longer align with the services that have the highest

impact on Edmonton's new strategic direction. Given the direction set by Council through the draft City Plan and ConnectEdmonton to date, Council Initiatives should be closely aligned with those plans or deprioritized, since these initiatives take up significant staff time and financial resources. Fiscal restraint should be applied to all areas of City work and these initiatives should be reconsidered or, where determined to be vital, incorporated into existing services. As such, the governance structure of the Council Initiatives should be reapplied to ConnectEdmonton and/or the draft City Plan's Big City Move initiatives.

R9. Reduce Restrictions to Businesses and Partners

For many reasons that contribute to the public good, the City has regulations and controls that are transferred to business, partners and residents. Through review of existing regulations, and refinement and elimination where necessary, the City can help partners to innovate, make progress, explore new ways to operate, develop, and build businesses, homes, communities and generally, our city together. The City should reduce the volume and the depth of regulations on services and processes where these controls create administrative inefficiencies with limited benefits.

R10. Evaluate Private Sector Service Alternatives

Some City services currently compete with or operate alongside private sector services, and some operate in areas where the private sector would enter the market if the City vacated the space. A specific evaluation of all City services with private sector alternatives should be completed with consideration given toward divesting from or privatizing these services. This would allow for greater market activity in this space, enabling scarce municipal dollars to be freed up and reallocated toward strategic priorities the marketplace cannot fulfill. Deregulation and decreased City control to truly incentivize the private sector and enable their success would need to be applied.

R11. Create and Utilize Digital Solutions

Edmontonians are navigating the COVID-19 pandemic with an enhanced reliance on digital and online solutions. The City should adapt to new resident expectations of service by providing a consistent resident-centric online experience to the public, and the digital tools necessary for the workforce to thrive. Internally, artificial intelligence and robotic process automation should be leveraged where possible to increase operational efficiencies.

R12. Prioritize Data for Recovery and Beyond

As Edmonton recovers from COVID-19, it will be critical to maintain and monitor the indicators and measures that will help the City achieve the goals and stretch targets outlined in ConnectEdmonton and the draft City Plan. In addition, data should be used to inform the development of recovery plans and the progress of these plans as they are implemented. The City of Edmonton has an excellent open data portal that should be utilized to inform residents of the status of recovery.

R13. Undertake GBA+ on Future Actions

GBA+ should be applied to future actions. These evaluations will identify how the actions will be experienced by all residents to increase awareness and implement what is feasible given current constraints.

Modernizing the Workforce

R14. Develop a Flexible Work Policy

A flexible work policy is urgently required to support the City's relaunch efforts. This policy will also ensure that the City can manage office space and costs, remain an attractive employer, manage increased sick leave requests, and be more resilient moving forward. It should be noted that the implementation of this policy will have an impact on the vibrancy of downtown and contribute to the anticipated increased vacancy rates from many other downtown employers.

R15. Leverage Existing Governance Capacity

Administration has considerable governance capacity to make decisions about service delivery and managing the corporation in order to achieve the direction and values established by City Council. The State of Local Emergency has highlighted that the City can be decisive and efficient in its decision-making. While maintaining our respect for Council as our governors, Administration should boldly leverage existing governance capacity to increase speed of service, decrease overhead and administrative cost, and remove regulatory red tape that is unnecessary.

R16. Create an Agile Workforce

With the rate of change increasing, amid a backdrop of evolving resident expectations that are being accelerated by the COVID-19 pandemic, it becomes more important than ever to build and sustain a workforce that is able to shift quickly and be more agile.

R17. Review Compensation in Accordance with Market Rates

Review total compensation in accordance with market rates, with a goal of alignment when rates differ for comparable jobs, recognizing that private sector salaries are likely to be impacted by the COVID-19 pandemic and are projected to decrease. Some of this re-alignment of labour costs is happening in real time in the private sector.

Relationship Based City

R18. Prioritize and Formalize Relationship and Partnership Approach

A cornerstone philosophy of both ConnectEdmonton and the draft City Plan is that the City's success is contingent upon a network of public and private sector groups, non-profit organizations and Edmontonians - all of whom play a role in building Edmonton's future. In our challenging fiscal environment, the importance of maximizing our strategic partnerships has never been more evident.

Recognizing that the City's partnerships vary in complexity and importance, the City should evaluate and prioritize partnerships, in consideration of the City's strategic plan and its financial constraints. Given the City's emergent financial constraints, prioritization should be applied to all partnerships, and only those that have been prioritized would continue with the City, including partnerships that involve grant funding. In addition, where the City is providing funding through grants or funding agreements, recipient organizations should be expected to seek efficiencies as a grant condition.

R19. Expand Partnerships with Federal and Provincial Governments, Municipalities and Post Secondary Institutions

The City has positive relationships with other orders of government, municipalities and

post-secondary institutions at elected and senior levels of the organization, and within our business areas that are primary “relationship owners” with these parties. However, additional opportunities exist to build relationships and partner with representatives from other orders of government, and with other municipalities and post-secondary institutions on such elements as service delivery, investment attraction and municipal problem solving. An ongoing, inherently entrepreneurial, proactive mindset—with a corresponding commitment to action—is needed to drive our engagement with partners. The current fiscal challenges that all orders of government—federal, provincial and municipal, including municipalities within our region—and post-secondary institutions face require us to look for new solutions together.

R20. Rethink Engagement, Prioritize Action

There are four factors that should be considered as the City moves forward with future engagement strategies: First, the City has an exceptional “gold standard” track record for public engagement, winning the International Organization of the Year from the International Association for Public Participation in 2018. Second, extensive public engagement was completed on both ConnectEdmonton and the draft City Plan, which has given Council and Administration the input it needs to implement these plans. Third, the City demonstrated an exceptional ability during RESPOND phases to make decisions, adapt, and readjust, to residents’ needs using ‘non traditional’ ways of listening to the public. Fourth, the cost to administer public engagement in the same way, to the same gold standard, will not be financially feasible going forward. As such, future engagement projects should be evaluated for cost, benefit, necessity, and authenticity.

Financial Viability

R21. Reduce Full Time Equivalents (FTEs)

Personnel costs at the City of Edmonton represent approximately 55% of total operating expenses. As service levels are reduced, the required number of employees to deliver these services needs to be permanently reduced. Wage settlements (inflation) on personnel are the largest cost driver for the organization, and a lower FTE count will drive lower tax increases. Under fiscal constraints, the City will need to review its FTE complement.

R22. Prioritize Infrastructure Renewal Before Growth

The City should ensure that its capital renewal needs are being met, particularly under financial constraints. Inadequate levels of capital asset renewal can quickly deteriorate the City’s infrastructure condition, and the backlog of renewal and maintenance needs can quickly escalate creating significant future challenges.

R23. Prioritize Capital Ahead of Operating

Throughout the economic downturn, as budget reductions are required, the City should consider prioritizing its capital program over service delivery. Capital is on a long cycle, and underfunding growth and/or renewal needs for sustained periods of time can lead to a long-term infrastructure deficit. Furthermore, many of the City’s transformational objectives are more capital intensive than service intensive, so prioritizing capital growth over service delivery may be necessary to advance ConnectEdmonton and the draft City Plan under constrained financial resources.

R24. Limit Tax Increases

Administration’s Proposed Operating Budgets to Council should present lower than historic tax

increases for the duration of the economic recovery, and possibly for some years after. Given the new fiscal constraints placed on the organization, the City will need to review all aspects of its base budget and all cost drivers, including the Police Funding Formula which establishes a multi-year dedicated tax increase to secure funding growth for Edmonton Police Service (EPS).

R25. Review Land, Property and Facility Assets

As we move forward, we will enhance our financial viability by right-sizing our asset holdings, and reviewing our current holdings of land, property and assets—considering sale where feasible. Service level changes, demand projections and strategic direction will help inform asset reviews. Sunk costs from the past should not be the driver for decision making for future asset retention and management. Assets that support services that compete with the private sector should also be reviewed. Any decision to sell assets should be done in consideration of market cycles. Consideration of market timing, the internal rate of return (IRR) of the sell-off, and the opportunity cost of holding existing land or assets should all be made.

R26. Assess the Market Viability of Redevelopment Plans Before Investing

With finite dollars for infrastructure, the City should ensure its capital budget resources are directed into urban nodes and corridors that are market viable for redevelopment activity. This includes nodes/corridors where land holdings are entirely private as well as ones that are entirely City owned.

R27. Increase Cost Recovery Levels

Not all City services are fully tax supported. Some services have revenue streams that make them partially tax supported. Strategies should be explored to increase cost-recovery levels for all revenue-generating services, and to establish a cost-recovery system on services that are currently 100 percent tax supported but where a fee structure is feasible. Service access and equity issues can be addressed through pricing strategies, as not all consumers are required to pay the same price, and the City can tier its pricing according to consumer income levels. Higher cost recovery can also be achieved through expense reduction strategies. The adoption of such strategies will reduce the overall draw on the tax base.

R28. Increase Cost Recovery of Regulatory Services

Regulatory services are unlike public services in the traditional sense of the word. They are about granting legal permission for residents and businesses to conduct certain regulated activities (i.e. build a building, operate a business, or own a pet). Under the principle of “those who benefit should pay,” all regulatory services should target the full cost of service delivery to be recovered from sale of the service. This should apply to all City services that provide a permit or licence. Full cost recovery can be achieved through revenue strategies and/or expense reduction strategies.

R29. Increase Use of Cost Distribution/Sharing Tools

The City builds numerous facilities and types of infrastructure where costs are driven, in part, by the urban built form—a property with 50 feet of frontage doubles the City’s cost for sidewalks, local roads, curbs, street lighting, and laneways compared to a property with 25 feet of frontage. Similarly, greenfield residential growth necessitates the provision of new recreation facilities, libraries and other infrastructure that could have been more cost-effectively delivered under more-intensive growth formats. By apportioning costs to properties and growth formats that disproportionately drive costs, the City can reduce strain on the property tax base while at the same time ensuring a more equitable distribution of capital costs across residents, businesses and

properties. This type of cost sharing can be achieved through: user fees, regulatory charges, development charges, off-site levies, local improvement tax, and partnership funding/contributions.