

BOARD DECISION RECORD

Agenda Item 6

March 25, 2025

Title: 2025/26 Budget

Recommendation:

The Finance Committee recommends that the Board approve the 2025/26 Budget as presented. There is a presentation that accompanies this decision sheet.

Background:

- Budget was difficult to balance this year given the economic uncertainty. For instance, CPI uplifts were not included where not specifically included in the contract or confirmed by funder
 - Costs continue to increase, but are not always matched with increases in funding/revenue
 - Furthermore, funders continue to put pressure on admin costs, often reducing to 10% rather than our target of 15%. This is offset when possible by including other variable costs such as computer licenses or liability insurance
 - The agency was required to take a hard look at expenses to see what could be reduced or delayed (for instance, we are only able to fund an IT Manager and reduced services/hours for an IT Managed Service Provider (MSP) (the original plan was to budget an IT Manager, IT coordinator and full-serve MSP)
- Staffing costs continue to increase as the agency grows (headcount increases), while still trying to remain competitive in the market place (wage grid increases)
 - Budget includes six new roles (IT Manager, HR Coordinator (0.5 FTE), Therapist, 2 Registered Social Workers and 1 Caseworker).
 - COLA is still included in budget (2%) in order to maintain good retention and recruitment of new staff; and 1% merit for performance-based uplifts
 - Budget allows for 4% vacancy (including salaries and RRSPs)
- Some unknowns to consider include:
 - \$1 million outstanding in grant requests mainly from government
 - Would contribute \$200k to overhead/admin costs
 - \$255k included in the budget relating to a contract not yet confirmed (IOM)
 - Could result in \$52k in overhead/admin costs not funded
 - \$2.1 million in Homeward Trust contracts
 - Confirmation received from Homeward Trust that existing contracts will be renewed up to September 30, 2025, but there is further uncertainty beyond that time
 - Could result in \$324k in overhead/admin costs not funded (\$162k in F'26 if not renewed past September 2025)

- The following reserves are available and Leadership is considering the strategic use of these funds to balance the budget:

Description	Amount	Comments/Notes
105 th Street Capital Reserve	\$236,844	Balance as at March 31, 2024 through Board restricted reserve
Future Funding Reserve	\$247,208	Balance as at March 31, 2024 through Board restricted reserve
ERI funds available for redirection	\$100,000	Significant reserves in Charitable Properties; if needed, could fund the water Line upgrade, rather than utilizing ERI funds, allowing ERI funds to be reallocated for another purpose

- Transition Place loss of rental income of \$225,000 annually (\$150,000 in F'26) beginning Aug 1, 2025 given CMHA-Edmonton has finally signalled they are not renewing
 - enCompass working on a business case for Transition Place to include other options
 - No offsetting revenue identified at this time
- Transition Place renewal is necessary in order to attract new tenants
 - Applications for capital grants is underway and will not know until March for CFEP-small and December for CFEP-large; therefore, not included in budget
 - Engaged commercial real estate firm and architect to support build out of business case for TP Renewal. Budget includes consulting fees (\$50k)
- enCompass is growing and needs growth and diversification in revenue streams
 - Global instability forcing governments at all levels to rethink their priorities and funding models – enCompass highly reliant on government funding
 - Gains made in 2024-25 including City of Edmonton funding and new brand that better reflects our story and impact (need to use this as a key marketing/fund development opportunity)
 - diversification of revenue requires a plan and external expertise (not yet able to fund given other capacity priorities)
 - Also need to have an internal fund development leader to support this work (people give to people)
 - In the meantime, we need to focus on maximizing grants and growth with current funders
 - Heavy reliance on government funding is not sustainable
- Capacity building continues to be a priority including IT; Capital Management/Facilities; Program Innovation; Fund Development/Impact/Community Relations
 - There is some funding to support some of this capacity building (from Charitable Properties) but not all capacity can be supported in the budget (i.e. Fund Development)