

Councillor Request Inquiry

#03-2020

2020

Please provide information on:

- **how the carbon tax savings were reflected in the 2019 reserves; and**
- **how the changing tax environment (switch from provincial to federal carbon tax and gap between them) was accounted for in the reserves**

Corporate Finance provides the following information:

In the 2019 variance explanations, \$1.2M was identified as fuel savings. Of this amount approximately \$200,000 was due to carbon tax savings. There were also \$150,000 savings from the carbon tax within the utilities expenses.

The municipal surplus of \$530,627 consisted of several contributing favourable variance factors including the fuel costs, investment income, and utilities expenses. These savings were offset by not processing the reserve transfer to fund the P4 expenses. In allocating the surplus, Council approved an amount of \$418,853 to be transferred to the R4 Municipal Projects reserve to fund future projects. The savings which resulted from fuel rates and utilities expenses including the carbon tax was not addressed as a stand-alone item and has not been directly designated within the 2019 reserves.

There is no direct impact on the reserves regarding the changing carbon tax environment. Alternatively, the following considerations can be made regarding the switch from provincial to federal carbon tax and the gap between them for the 2020 year:

- The 2020 budget includes fuel rates of \$1.20 for gasoline and \$1.22 for diesel. These rates include all estimated consumption taxes on fuel, including the carbon tax. The 2020 budgeted utilities expenses also include a carbon tax consideration.
- The R2 Stabilization and Contingency Reserve funds are available for use to stabilize periods of high inflation or other items that would result in volatility of future property tax dollar requirements, and to stabilize unbudgeted impacts resulting from unanticipated events. This reserve has a designated balance of \$38.9M, therefore, if there is a difference between the estimated fuel rates and utilities expenses with the actual rates, then Council could approve the use of these reserve funds to address a significant variance.

Should you require further information please contact Laura Probst at 780-464-8415 or Laura.Probst@strathcona.ca

Kind regards,

Heather Isaac

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