Enclosure 1

Budget 2023 - Initial Update

July 12, 2022

STRATHCONA COUNTY

Overview

- To provide Council with an initial update regarding the 2023 budget
- To discuss the economic pressures Strathcona County is anticipating to encounter in the current and upcoming budget cycles
- To advise how the upcoming multi-year budget will focus on minimizing tax rate increases as much as possible while maintaining service delivery levels, and fostering financial sustainability

Projected tax revenue increases

As part of the 2022 Budget Approval, tax revenue requirements for years 2023-2025 were forecasted to be:

	2022	2023	2024	2025
Tax Revenue Requirement	3.11%	**1.92%**	**1.50%**	**1.46%**

STRATHCONA COUNTY

Global impacts

Inflation – continuing to see cost increases across most sectors

Utilities and fuel price increases – scheduled carbon tax increases and record high fuel prices

Supply chain issues – delivery timelines are being impacted on a global scale

Russia/Ukraine conflict

COVID-19 – ongoing impacts from pandemic

Consumer Price Index (CPI)

During 2022 budget presentation (October):

- Edmonton year on year inflation rate 2.13%
- Alberta year on year inflation rate 2.33%
- Edmonton monthly inflation peaked at 4.4% (August 2021)

As we prepare the 2023 budgets:

- Edmonton year on year inflation rate 4.68%
- Alberta year on year inflation rate 4.90%
- Edmonton inflation currently peaking at 7.1% (May 2022)

Budget considerations

Assessment and tax: potential timing changes

User fees and charges: significant revenue shortfalls/reductions as we continue to move through the COVID-19 pandemic and adjust to new normal

- RPC admissions, bookings, program registration and memberships revenues are all below pre-pandemic levels
- Transit ridership has not recovered, uncertain how long this will last, or if it will

Budget considerations

Insurance: inflation on premiums have been steady and is anticipated to continue

- One-time 7% inflationary increase to insured values
- Canada now seen as a Natural Catastrophe zone

Contracted services: supply and demand challenges, coupled with carbon tax and fuel costs being incorporated into contract costs

- Expiring multi-year contracts in RPC
- Contracted trucking prices will increase with fuel increases
- Utilities wastewater with ACRWC and water purchases with EPCOR are anticipated to rise.

Budget considerations

Supplies and materials: inflation across the spectrum

- gas & diesel increased 35% and 23% respectively
- Software subscriptions, landscaping supplies, signage, gravel/chips/salt

Utilities: commodity volatility; natural gas at 83%, electricity at 14%

- Russia cut off natural gas to many parts of Europe

Business expenses and advertising and printing:

- Price of paper increase considerably
- Potentially a controllable cost

Budget considerations

Debenture borrowing rates climbing

- June 15, 2022: 2.48%
- Current rate: 5.08%
- No impact on debt limit
- Results in higher tax requirement for borrowing

Reserve replenishment strategy

- Need to implement
- Will have an impact on tax requirement

Public engagement

48% of respondents prioritize ensuring long-term fiscal sustainability

58% support a tax rate increase to maintain or improve services
- **67%** of this group would support a minimum increase of 2%

88% of respondents feel value for services is average or above
- **58%** feel value for service is excellent value

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Budget strategy

- Continuous review and adjustment of base budgets to identify and realize cost savings/reallocations opportunities
- Using conservative inflation estimates to develop budgets to ensure the County is better prepared for further volatility
- Implement reserve building strategies to achieve long-term fiscal sustainability

Projected tax revenue requirements

As part of the 2022 Budget Approval, tax revenue requirements for years 2023-2025 were forecasted to be:

2023 – 1.92%
2024 – 1.50%
2025 – 1.46%
2026 - TBD

Given the current environment, achieving a tax revenue requirement in 2023 that is at or below 1.92% may not be feasible.

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Questions