## **Budget 2023 - Initial Update**

July 12, 2022



### 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%



### **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)



**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



**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.



#### 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



#### 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

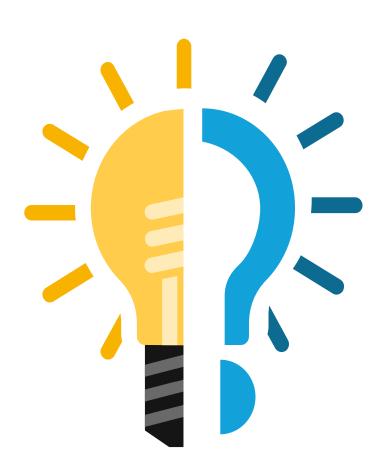
- **58%** feel value for service is excellent value





### **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.



# Questions

