

Strathcona County 2023 Consolidated Budget

Overview
November 16, 2022

Budget 2023

Chief Commissioner opening remarks

Opening remarks



Budget enhancements



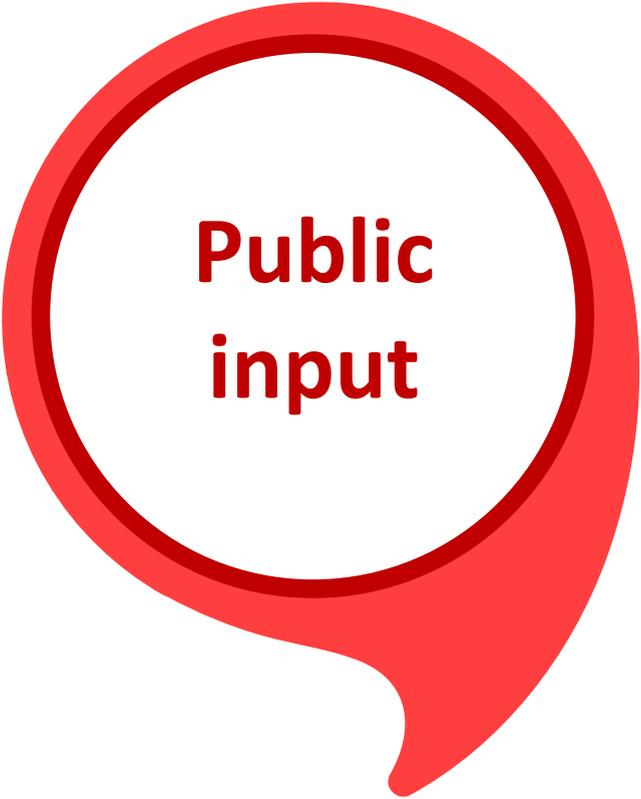
Council input

- **February:** input into improvements
- **April:** capital planning session
- **May:** capital direction setting



Council updates

- **July:** mid-year update on pressures and opportunities
- **October:** budget update
- **November:** budget binder improvements



Public input

- **April:** budget survey improvements
- **September:** non-statutory public hearing
- **November:** non-statutory public hearing

2023-2026 Strategic Plan goals



Economic Prosperity

Strathcona County is a prosperous community that capitalizes on the strength of its industrial, agriculture and business sectors while advancing economic diversity and growth.



Healthy and Safe Community

Strathcona County is a safe and supportive community that is healthy, active, connected and thriving.



Responsible Development

Strathcona County is an innovative community that encourages sustainability and respects the environment.



Municipal Excellence

Strathcona County is a leading municipality that moves the community forward through service excellence delivered by engaged and empowered employees.

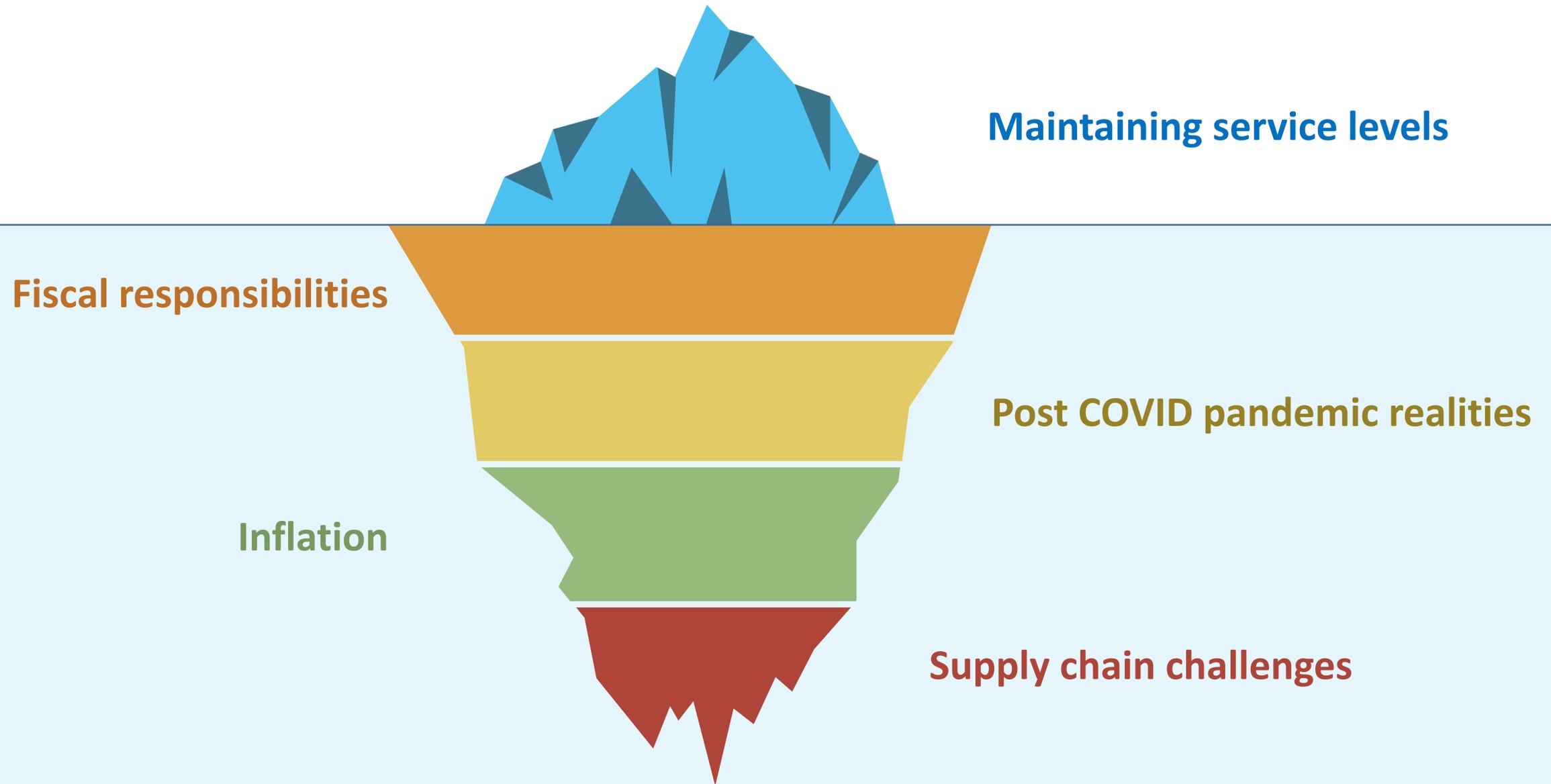
Value proposition



Budget landscape



Budget complexities



Budget 2023

Chief Financial Officer opening remarks

Economic environment



Global hyper-inflation

- Supply chain issues, contractor slowdowns, insurance premiums

Energy markets

- Natural gas, oil and gas, electricity

Revenue challenges

- RPC, Transit, RCMP and Enforcement Services

COVID impacts

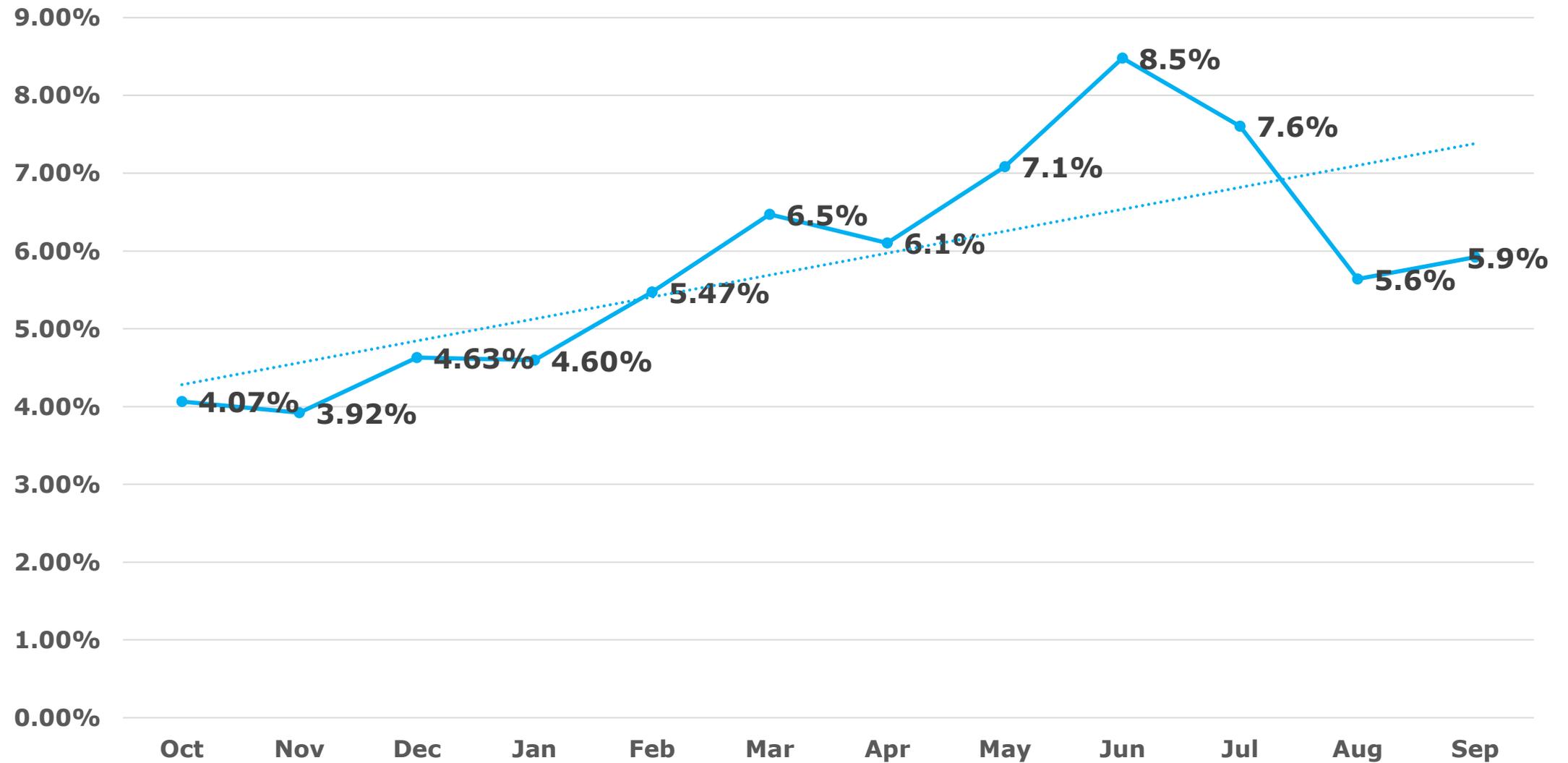
- Adjusting to the new “service demand” normal, employee benefit patterns

Inflation realities

- Electricity purchase plan agreements discontinued January 1, 2021
 - Since then, 170% change in price volatility
 - 1150 street light metered accounts
 - Each account can have one to several hundred street lights
- Carbon tax has moved from \$30/ton in 2018 to \$50/ton in 2022
- County facilities are over 2 million square feet
 - Facilities are significant users of both electricity and natural gas
- Fleet approximately 900 units
 - Inclusive of Transit
- 1,733 kms of maintained roads

Inflation - CPI

Monthly inflation - Edmonton
October 2021 - September 2022

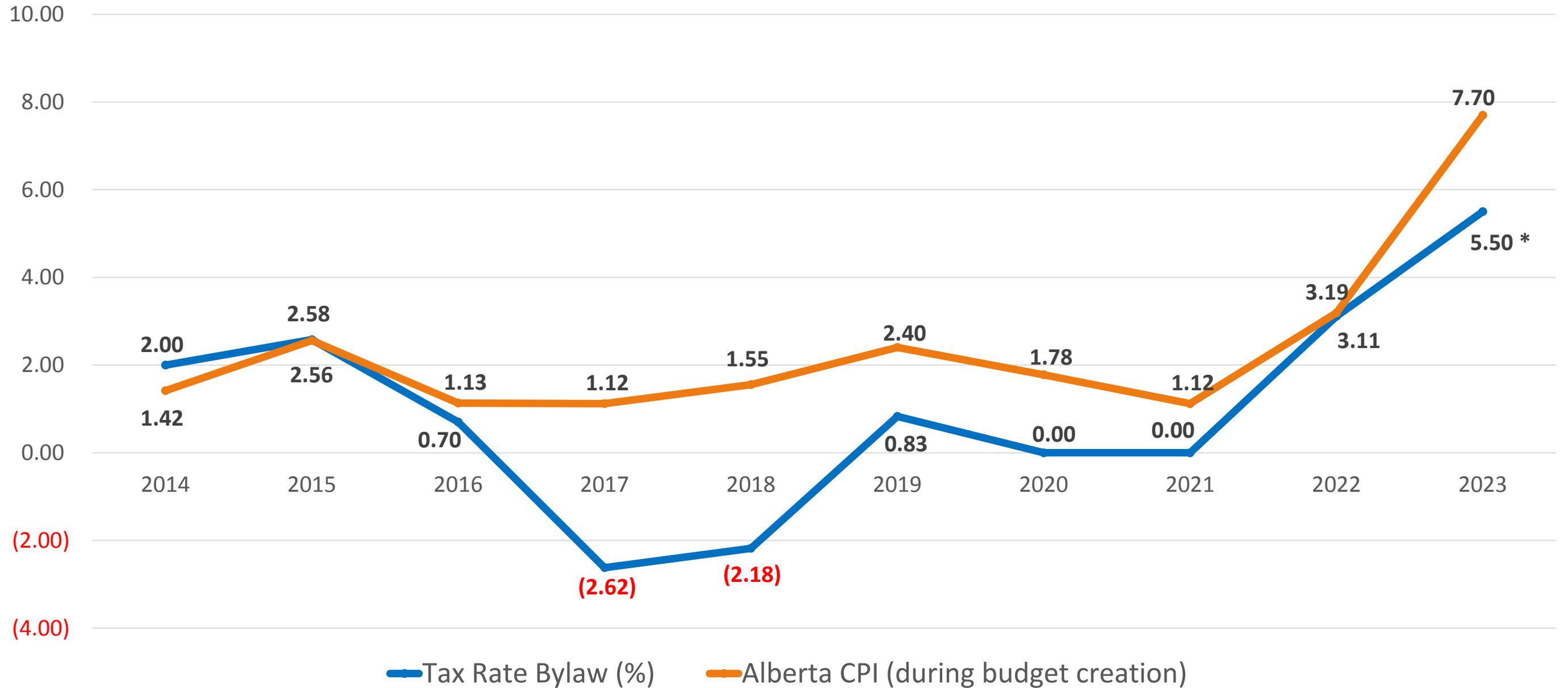


- Year on year Edmonton inflation (avg. 5.83%)

- Year on year Alberta inflation (avg. 5.96%)

Tax rates vs CPI

(during budget development)



* Proposed budget

2023 operating budget

Recommended budget

	2023	2024	2025	2026
Recommended tax revenue requirement	5.50%	3.36%	3.42%	3.17%

1% for 2023 = \$2.46M



Municipal impacts - 2022 to 2023

(page 4)

Revenues

- Property taxes: \$10.3M growth in assessment base
- User Fees and Charges: (\$3.4M) decrease
- Penalties and Fines: (\$1.9M) decrease
- Investment Income: \$1.0M increase



Municipal impacts - 2022 to 2023

(page 4)

Expenses

- Salaries, Wages and Benefits: \$2.4M increase
- Employee Benefits: \$1.9M increase
- Professional Services: (\$0.5M) reduction
- Insurance: \$0.3M increase
- Contracted Services: \$0.8M increase
- Supplies and Materials: \$3.8M increase
- Utilities: \$2.9M increase
- Grants and Requisitions: (\$5.4M) reduction
- Other Expenses: (\$1.7M) reduction

Municipal impacts - 2022 to 2023

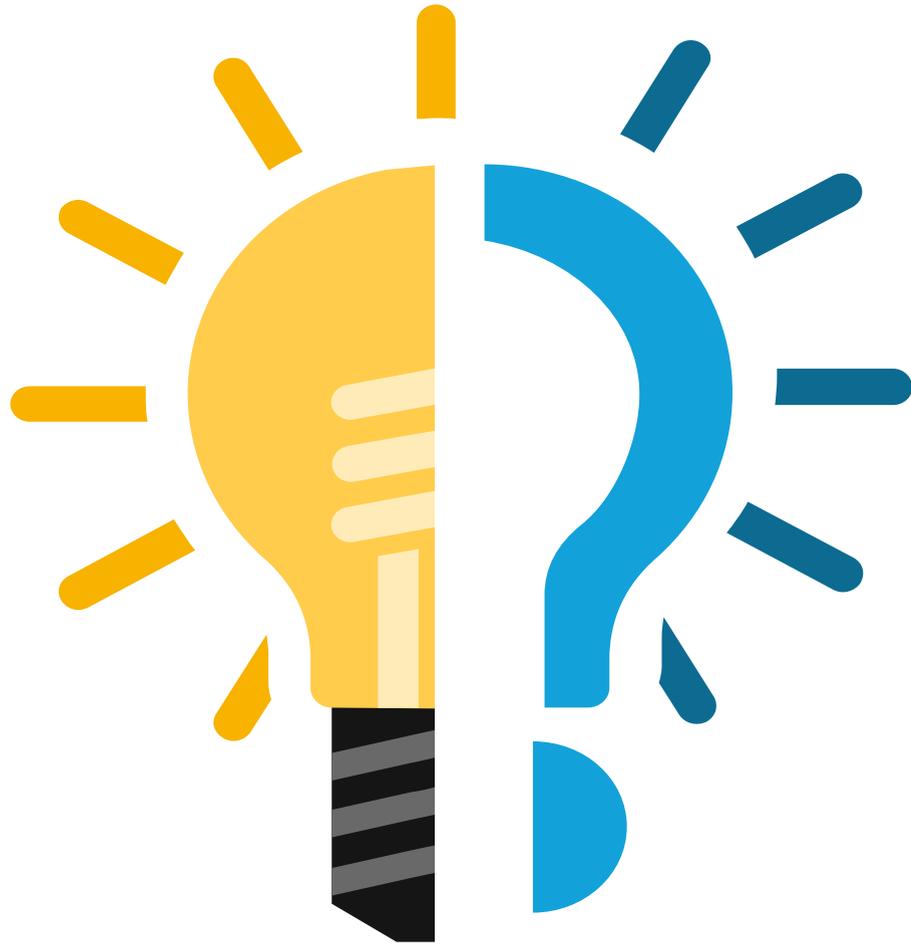
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Non-Operating Items

- From Reserve: (\$13.5M) reduction
- To Reserve: \$3.9M increase



Our efficiencies (net of adjustments)



- Reorganizations
 - Combined departments
 - Fleet and Facility Management
 - Transportation Engineering and Operations
 - Financial and Strategic Services
- Elimination of positions
 - 1 Associate Commissioner
 - 3 Directors
 - 2 Managers
 - 3 Salaried positions
- \$5.6M of savings/reductions
 - Minor service level adjustments

Priority Based Budgeting (PBB)



- Current: Using the quartiles as a budgeting focus - no juice left
- In progress: PBB update – first since 2018
- Future work:
 - Rich PBB data – There are many things to learn from PBB data rather than the final quartile.
 - Using service measures and lean reviews as an additional tool.
 - Using PBB in planning – *Priority Based Planning*, which drives budget.

Inflation mitigation

- Diesel and gasoline
 - Very lean approach
 - \$250K contingency reserve, if needed
- Electricity – uses \$1.1M reserve offset 2023 increase
 - 2023 coming out of long-term contract
 - 2024 and on will be in new contract
 - Reserve replenishment built into 2024/25



Two-year operating budget comparison

Municipal (Page 4)

	2023 Recommended Budget	2022 Approved Budget	Variance \$
Revenue (A)	\$302.5M	\$295.5M	\$7.0M
Expense (B)	344.9M	338.2M	6.7M
Non-operating (C)	(27.9M)	(11.8M)	(16.1M)
Non-cash Adjustment (D)	56.8M	54.5M	2.3M
Net Impact (A – B + C + D)	(\$13.5M)	\$0.0M	(\$13.5M)

2023 Municipal operating budget

(\$276.6M)

- Recreation, Parks and Culture
 - \$50.3M / 18%
- Transportation Engineering and Operations
 - \$40.1M / 15%
- Emergency Services
 - \$39.3M / 14%
- RCMP and Enforcement Services
 - \$32.5M / 12%



2023 Municipal revenues



- Property taxes
 - \$256.5M / 81%
- User Fees, Rates and Charges
 - \$33.4M / 11%
- These two sources make up 92% of County revenues
- Opportunity - Franchise fees

Fees, rates and charges

- 14 Departments with fees, rates and charges
 - 1,286 total charges
- Departments with \$ impact changes (RPC and UTL)
 - 420 changes (**high level average of % change below**)
- Recreation, Parks and Culture
 - RPC Indoor - 4.17%
 - RPC Outdoor - 5.28%
 - RPC Cultural Services - 2.96%
 - Broadmoor Public Golf Course - 1%
- Utilities
 - Solid Waste - 0.92%
 - Water - 1.83%
 - Wastewater - 6.29%

Staffing - recommended

- 5 FTEs recommended for 2023
 - SIR-316 HR – Financial and Business Analyst 0.1 FTE
 - SIR-317 FLT – Fleet Services Apprentice Technician 1.0 FTE
 - SIR-331 RPC – SWC Asst Outdoor Rec Programmer 0.6 FTE
 - SIR-332 RPC – Greenskeeper 1.0 FTE
 - SIR-333 RPC – Contracted Instructor Reclassification 2,187hrs
- Net impact: \$0
 - All were fully absorbed within departments

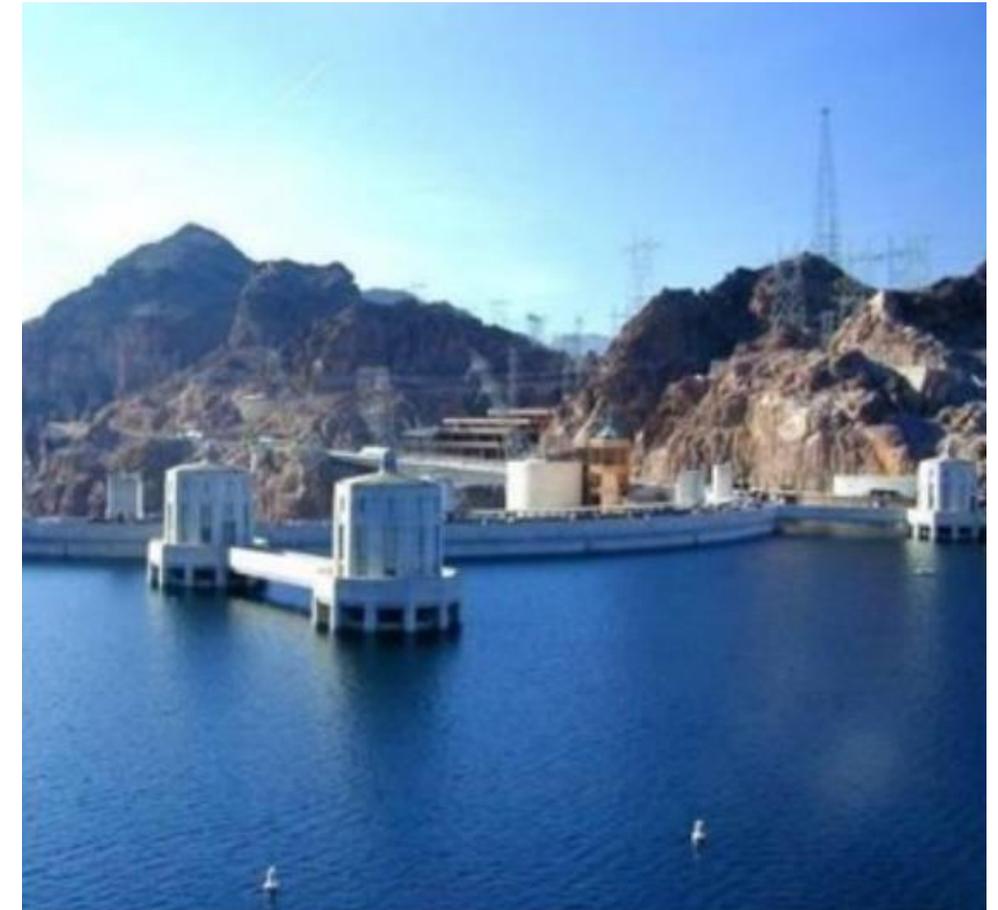
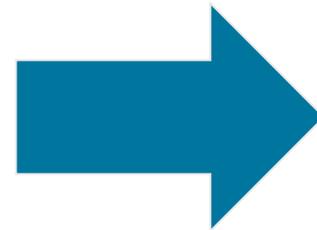


Business cases - recommended

- 7 Initiatives recommended for 2023
 - INIT-171 TPE – South of LEA Functional Planning Study
 - INIT-216 TPE – Heartland, Roadway Requirements
 - INIT-218 TPE – LIDAR Data Acquisition**
 - INIT-219 UT – Sherwood Park Stormwater Model Update
 - INIT-220 PDS – Community Conversation on Redevelopment and Revitalization
 - INIT-221 PDS – Climate Resiliency Plan
 - INIT-223 FSS – Corporate-wide Lean Process Reviews
- Net impact: \$100K** (0.04%)
 - No allowance included in future years



Reserve strategy



Capital

Capital funding sources

Capital Budget

Grants

Reserves

Debt

Taxes

One of the foundation principles of funding is considering intergenerational equity.

Affordability and flexibility

- Currently put \$31M into reserve each year, to fund Annual Programs and other capital
 - Forecasted to receive \$20M annually through LGFF and CCBF grants
 - Total “**sustainable**” funding = \$51M
- 5-year Annual Programs average = \$53M
- Zero sustainable funds remaining for non-annual programs
 - Means we must draw down on reserves
 - Planned and emergent items
 - Recommendation to Council
 - \$6M/year average

Reserve strategy

- \$2.5M reserve contribution added to the base each year
 - Equivalent to approximately 1% annually
 - 2023 is \$1.25M (0.5%)
 - 2024 is \$3.75M (1.5%)
 - 2025 onward is \$2.5M, annually (1.0%)
- After 10 years:
 - We will have an additional \$25M of sustainable capital reserve funding built into the base
 - This reduces reliance on grants, promotes fiscal sustainability for the County
 - Frees up grants for other County priorities
 - We would generate an additional \$135M of reserve funds
 - This could be used to allow County priorities to move forward

5-year plan

- \$479M; largely comprised of Annual Programs
 - Annual programs average \$53M/year
- Includes Fieldhouse and Center in the Park (CITP) in 2025
 - Fieldhouse IDP process begins
 - Construction begins 2027
- Significant facility growth and rehabilitation additions
 - Sherwood Park Arena (2026) **Unfunded**
 - Station 7 (Cambrian Crossing) (2027) **Unfunded**



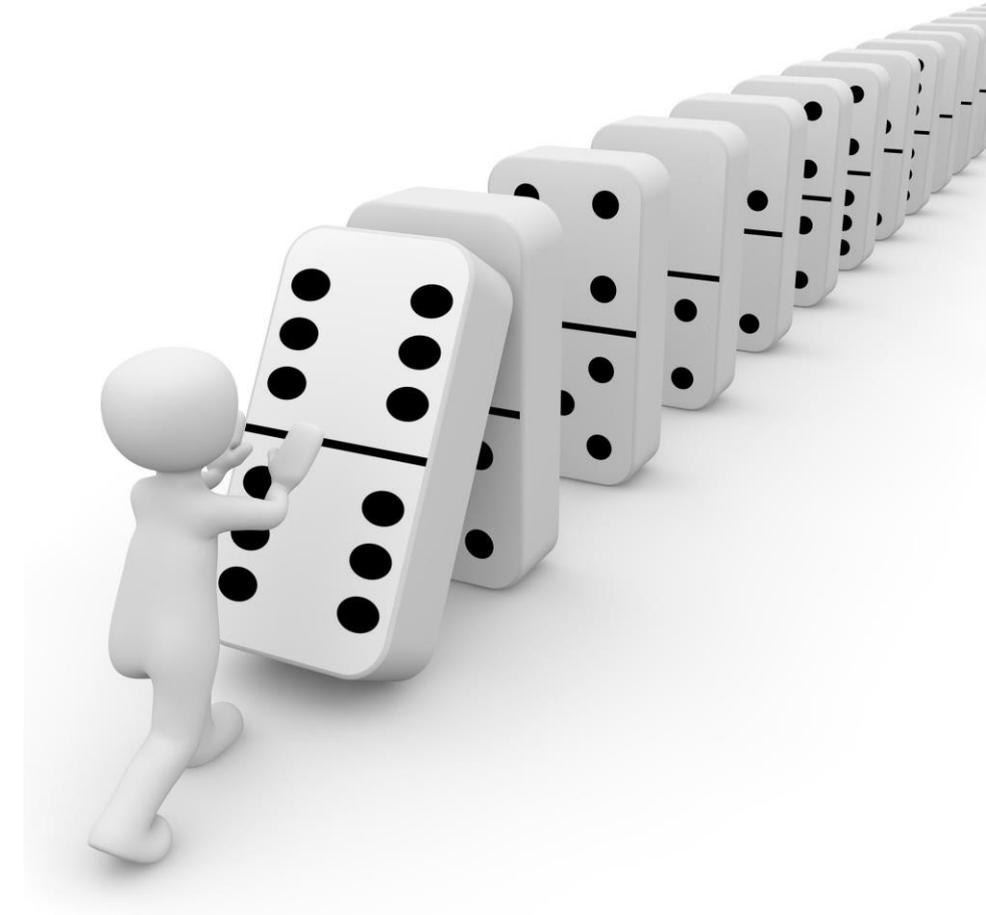
10-year capital forecast

- Total 10-year forecast = \$961M
 - Annual Programs = \$545M
 - Major additions/rehabs/value adds = \$416M
- Years 6-10
 - \$96M in buildings
 - \$40M in parks and open spaces
 - \$252M in roadway infrastructure
- Average yearly budget - \$96M
 - Sustainable yearly budget - \$60M
 - Could allow for some debt usage starting in 2030

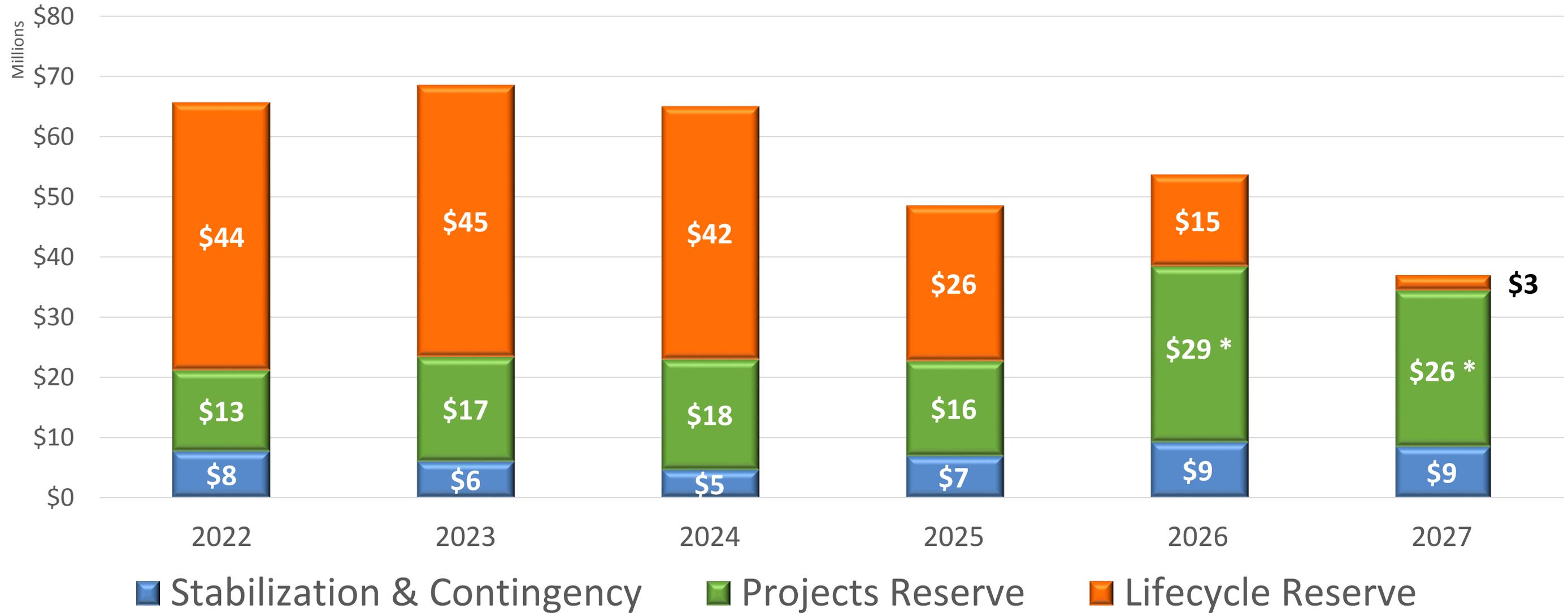


Triggered capital

- \$855M in capital
 - Spread across 6 regions
 - Each area by itself could tie up several/many years of sustainable debt capacity
- 3 Categories
 - Development
 - Investment
 - Service level
- County must explore options to influence or control triggers



Municipal reserves – projected designated balances

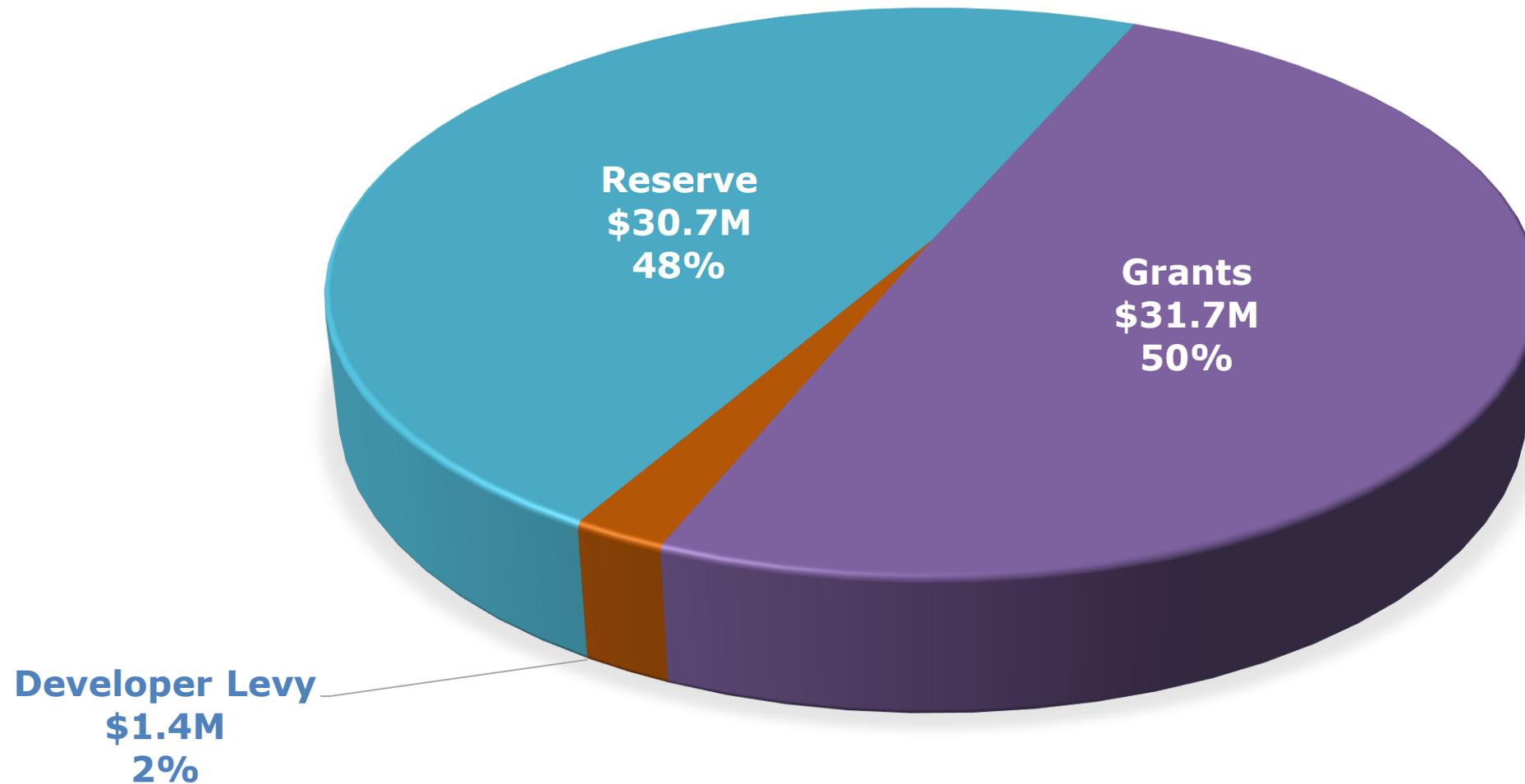


*Does not include **unfunded** Station 7 and Sherwood Park Arena

Financial overview - grants

- Non-competitive grants LGFF and CCBF
 - 2023 final year for Municipal Sustainability Initiative (MSI), being replaced with LGFF
 - Local Government Fiscal Framework (LGFF)
 - Canada Community Building Fund (CCBF)
- LGFF has been the primary grant source for more than a decade
 - Allocations are approximately 40% of historical peak
 - Uncertainty around the new LGFF funding formula
- The County does, and will continue to, explore opportunities to secure competitive grants (E.g., Broadband)

2023 capital budget - \$63.8M (by funding source)



*Numbers may not add due to rounding

Closing remarks

Recommended budgets (2023-2026)

	2023	2024	2025	2026
Tax revenue requirement	5.50%	3.36%	3.42%	3.17%

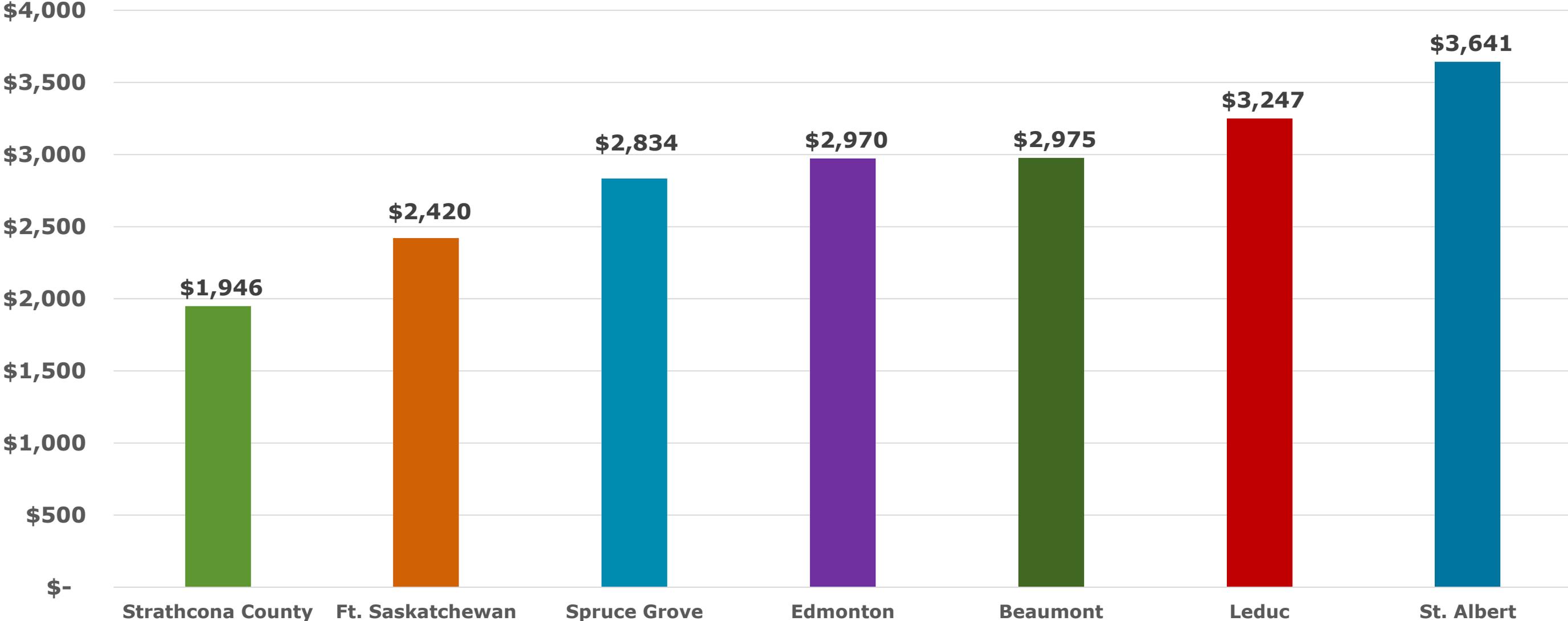
To maintain the excellent service levels that Strathcona County residents have come to appreciate, the impact of a 5.50% tax revenue increase to the average assessed (\$430K) residence is:

- **\$105/year**, or
- **\$9/month**.



2022 mill rate comparison

Tax payment on a \$430K average residence



Budget recap

The 2023 Budget achieves the objectives of delivering balanced and fiscally responsible operating and capital budgets that:

- Reflect the programs and services required to meet current resident, business and industry needs;
- Promotes fiscal sustainability both in the short and long term;
- Supports the maintenance of our capital investments; and
- Aligns to Council strategic priorities.

Recommendation

1. Recommended 2023 Consolidated Operating - \$409.5M
 - Municipal operations - \$333.3M
 - Utility operations - \$64.7M
 - Library operations - \$11.6M
2. Recommended 2023 Capital Budget - \$63.8M

Budget dates

Date	Items
November 16	Overview of proposed budget - Public presentation and release of budget documents online
November 16, 17, 18, 21	Division and community partner presentations and Fees, rates and charges bylaw, COLA – closed session, capital budget and non-statutory public hearing
November 24, 28 December 1, 2, 5	Council driven initiatives, flagged item responses, deliberations and budget and related approvals

Questions