

Strathcona County 2024 Consolidated Budget

November 15, 2023

Budget 2024

Chief Commissioner opening remarks

Commitment to excellence



This budget supports

- Alignment to strategic goals
- Maintaining service levels
- Sustaining our assets
- Focus on long term fiscal sustainment

Navigating a new era

- Economic uncertainty
- Resilience planning
- Reevaluating priorities



Long-term strategy

Looking ahead: long-term planning

- Continuous review of financial landscape
- Anticipating future challenges
- Strategies for proactive flexibility
- Confidence in our ability to adapt and thrive



BECOMING CANADA'S MOST LIVABLE COMMUNITY

Did you know in this year's Public Satisfaction Survey?

- 93% of residents rated Strathcona County as a good or very good place to live.
- 93% of residents rated Strathcona County as a good place to raise kids.
- 77% of residents are satisfied with Strathcona County services.



2023 highlights



- Range Road 231 Overpass
- L'Etape Canada
- Special Olympics
- Musical Ride
- Wildfire Response
- Asset Management Office
- Pointe-aux-Pins Acres Agriculture Facility



Budget 2024

Chief Financial Officer opening remarks

Budget preface



Capital focus,
operational strength



New budget
materials, style and
content

New Chart of Accounts

Multi-year capital
reports

Economic environment

Inflation

- Trending down, but still high; volatile over the summer months

Natural gas and electricity

- Delivery charges and carbon tax continue to climb significantly

Interest rates high

- A trade-off; beneficial for investment income, but disadvantageous for borrowing

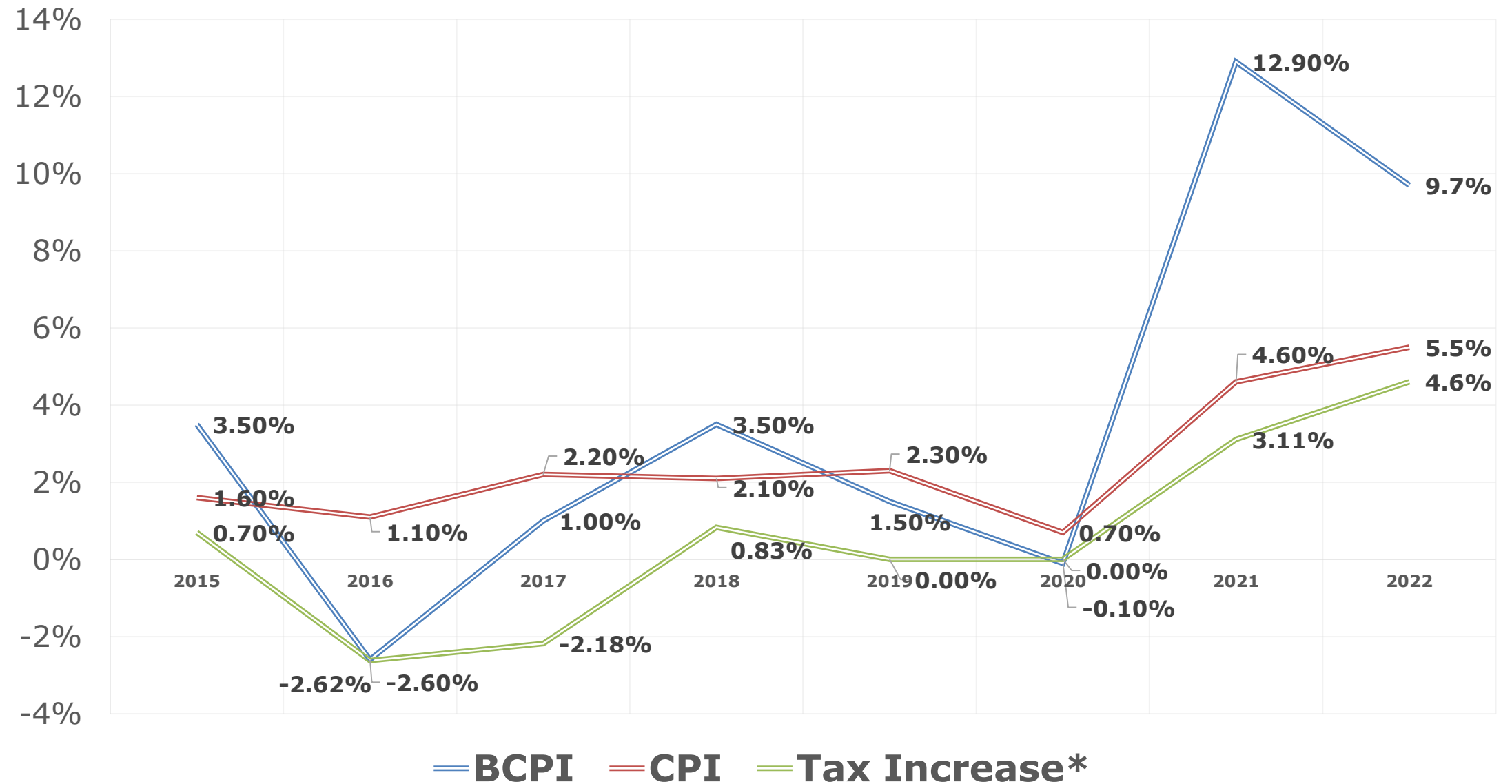
Reserve balances

- Uncommitted reserve balances are very limited

Inflation versus tax increase

Edmonton 2015 to 2022

- Total Consumer Price Index (CPI) inflation
20.1%
- Total Building Construction Price Index (BCPI) inflation
29.4%
- Total Tax Increase
4.4%

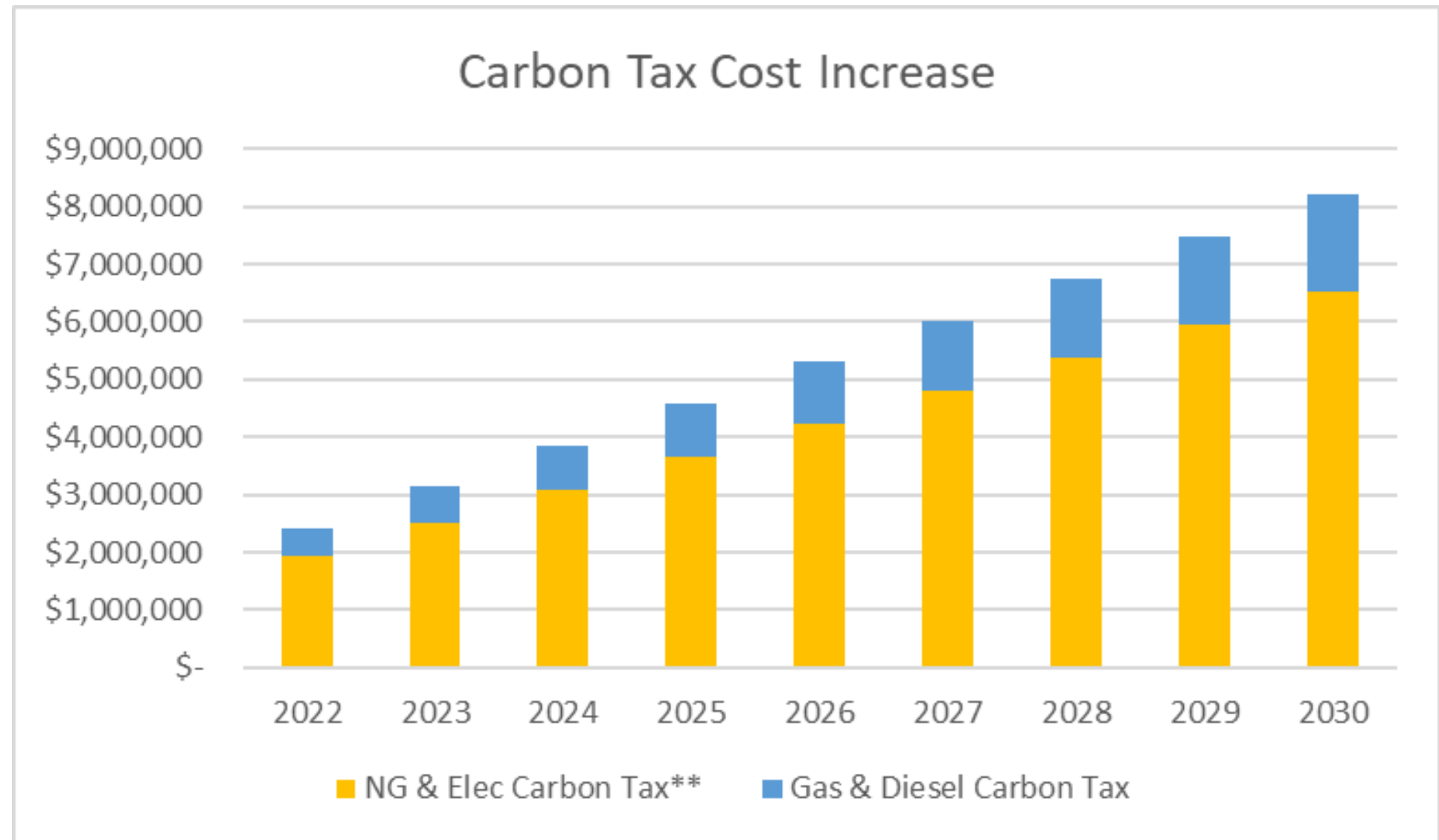


*Adjusted for timing

Inflation realities

Carbon Tax

- \$15 per tonne per year increases
- Can pay more in tax than the commodity
- County impacts significantly higher for natural gas and electricity
- Gas and diesel have lesser impact



Reserve strategy

Started in 2023



Long-Term financial sustainability framework

- Foundational principles
 - Sustainability
 - Provide and maintain programs at acceptable level of taxation
 - Flexibility
 - Able to adapt to change
 - Minimize vulnerability
 - Controllable funding sources
- Financially sustainable strategies
- Process
 - Modelling, scenarios



Government finance review

- Why we should rethink reserves
 - Increasingly volatile and uncertain world
 - Municipal government is slow to recover from unexpected events
 - Local governments are becoming more resource constrained
- Develop a comprehensive reserves policy
 - Policy update coming in 2024

“Building reserves is a use of current revenues, and governments need to weigh the opportunity costs of doing so. Is it better to provide services today or to save money for later?”

2024 operating budget

Presented budget

	2024	2025	2026	2027
2023 Forecasted tax revenue requirement	3.84%	3.78%	3.17%	n/a
Budget Delta	0.46%	0.96%	1.61%	n/a
Base tax revenue requirement	4.30%	4.74%	4.78%	4.56%



1% for 2024 = \$2.6M

Presented budget – restated

		2024	2025	2026	2027
Where we were	2023 Forecasted operating tax revenue requirement	2.40%	2.82%	2.21%	n/a
	2023 Forecasted capital contribution tax revenue requirement	<u>1.44%</u>	<u>0.96%</u>	<u>0.96%</u>	n/a
	2023 Forecasted tax revenue requirement	3.84%	3.78%	3.17%	n/a
What changed	Budget Delta - operating	(1.18%)	1.92%	0.61%	n/a
	Budget Delta – capital	1.64%	(0.96%)	1.00%	n/a
Where we are now	Base tax revenue requirement – operating	1.22%	4.74%	2.82%	2.60%
	Base tax revenue requirement – capital	<u>3.08%</u>	<u>0%</u>	<u>1.96%</u>	<u>1.96%</u>
	2024 Base tax revenue requirement	4.30%	4.74%	4.78%	4.56%

Budget decision ranges

	2024	2025	2026	2027
Base Tax Revenue Requirement	4.30%	4.74%	4.78%	4.56%
Station 7 – Staffing	0.20%	0.26%	0.26%	0.24%
Station 7 – Debt servicing	0%	0%	0%	0.92%
Effective Fire Response - Staffing	0.20%	0.26%	0.26%	0.24%
Recommended Tax Revenue Requirement	4.69%	5.25%	5.29%	5.95%
Council Driven Initiatives	0.62%	0%	0%	0%
Maximum tax revenue requirement	5.31%	5.25%	5.29%	5.95%

*Totals may not add due to rounding

2024 Delta

- Revenues

- \$1.2M favourable in Fine Revenue
- \$1.0M favourable in Investment Revenue
- Net \$0.5M favourable in Memberships revenue
- \$6.3M favourable in Transfer from Reserve

- Expenses

- Net (\$2.8M) favourable in Salaries and Benefits
- (\$0.6M) favourable in Utilities, Insurance and General Operations.
- \$2.0M unfavourable in Operational Services
- \$1.6M unfavourable in Professional/Consulting Services
- (\$1.1M) favourable Interest on Debentures
- \$3.0M unfavourable in grants disbursed

Staffing and business initiatives

- 22.2 FTEs being requested
 - 2024 ~ \$1.1M ~ 0.42%
- 4 Business Initiatives
 - 2024 ~ \$0.6M ~ 0.23%
- 3 Operating Impacts
 - 2024 ~ \$36K ~ 0.02%



Council directed initiatives – operating

Impact (\$)	Impact (%)	Description	Impact (\$)	Impact (%)	Description
\$150K	0.06%	TEO Speed Limit Study	\$230K	0.09%	RCMP Fraud Unit
\$500K	0.19%	EDT Agriculture Initiative	\$160K	0.06%	PDS Strathcona Cat Shelter
\$300K	0.12%	RPC Indigenous Memorial	\$150K	0.06%	RPC Shrub Bed Maintenance
\$50K	0.02%	FIS Seniors Homeowner Program Increase	\$112K	0.05%	RPC Grass Trimming
TOTAL TAX REVENUE REQUIREMENT			\$1.6M	0.62%	

Station 7 Firehall

- Capital (Station 7 only)
 - Design, land servicing, and building construction – \$25.5M
 - Vehicles – \$3.9M
 - Debt impact – \$23.5M
 - Debt servicing impact - \$2.4M/year ~ 0.92% tax revenue impact
- Operating
 - 25 firefighters – 1.30% (staged 4/year over 6 years, plus 1 training Lieutenant)
 - 2024 – 5 ~ 0.20%
 - 2025 – 4 ~ 0.26%
 - 2026 – 4 ~ 0.26%
 - 2027 – 4 ~ 0.24%
 - 2028 – 4 ~ 0.24%
 - 2029 – 4 ~ 0.10%

Effective fire response

- Operating
 - 25 firefighters – 1.30% (staged 4/year over 6 years, plus 1 training Lieutenant)
 - 2024 – 5 ~ 0.20%
 - 2025 – 4 ~ 0.26%
 - 2026 – 4 ~ 0.26%
 - 2027 – 4 ~ 0.24%
 - 2028 – 4 ~ 0.24%
 - 2029 – 4 ~ 0.10%

Fees, rates and charges

- RPC increasing rates, well below average in the area
 - Aligning with the region
 - Indoor
 - Outdoor
 - Cultural Services
 - Golf Course
- Transit making modest changes to all fare structures
 - Only Regional fares and parking fees unchanged
 - Fares have remained flat through COVID
 - Increase to cover increasing costs and reduced ridership
- FFM increases
 - Meeting Rooms and Community Centre rates

Recommended budgets (2024-2027)

	2024	2025	2026	2027
Tax revenue requirement	4.69%	5.25%	5.29%	5.95%



1% for 2024 = \$2.6M



2024-26 capital budget

Budget considerations - Capital



Capital inflation is significantly outpacing operating CPI

Construction prices were volatile through COVID-19 supply chain challenges

BCPI is currently 4.6% for non-residential buildings

- Year over year at the same time last year was 13.8%



Annual program funding is directly supported through operating budget contributions

Annual programs have nearly doubled in the last three years

Reserve contributions have not kept pace with inflationary and growth pressures



Significant growth projects have already been approved

Additional significant growth projects being considered

Capital considerations – 3 year window

- Rehabilitation/Renewal

- Bethel Transit Centre Roadway Upgrade
- Commercial Truck-fill Replacement
- Emerald Hills Leisure Centre – Basin Repairs
- Sherwood Park Arena – Floor repairs
- Strathcona Wilderness Centre Boat House

- Growth/Service Level

- 17 St. Reservoir Solar
- Bulk Fuel Island
- Emergency Services Station 7
- Roadway projects (3)

Council directed initiatives - capital

Impact (\$)	Impact (%) Equivalency	Description
\$3.5M	1.35%	FFM – Millenium Place – Hydrogen Fueled Combined Heat and Power (CHP) Unit (Total Project \$7M)
\$556K	0.21%	TEO – Wye Rd, Brentwood to Clover Bar Road
\$60K	0.02%	TEO – Wye Rd, Mitchell to Brentwood
\$691K	0.27%	TEO – Accessible Parking Spaces
\$45K	0.02%	TEO – Village on the Lake Neighbourhood Signs

Reserves / Tax supported contributions

2024 municipal reserves

Cost to deliver annual programs are increasing year over year

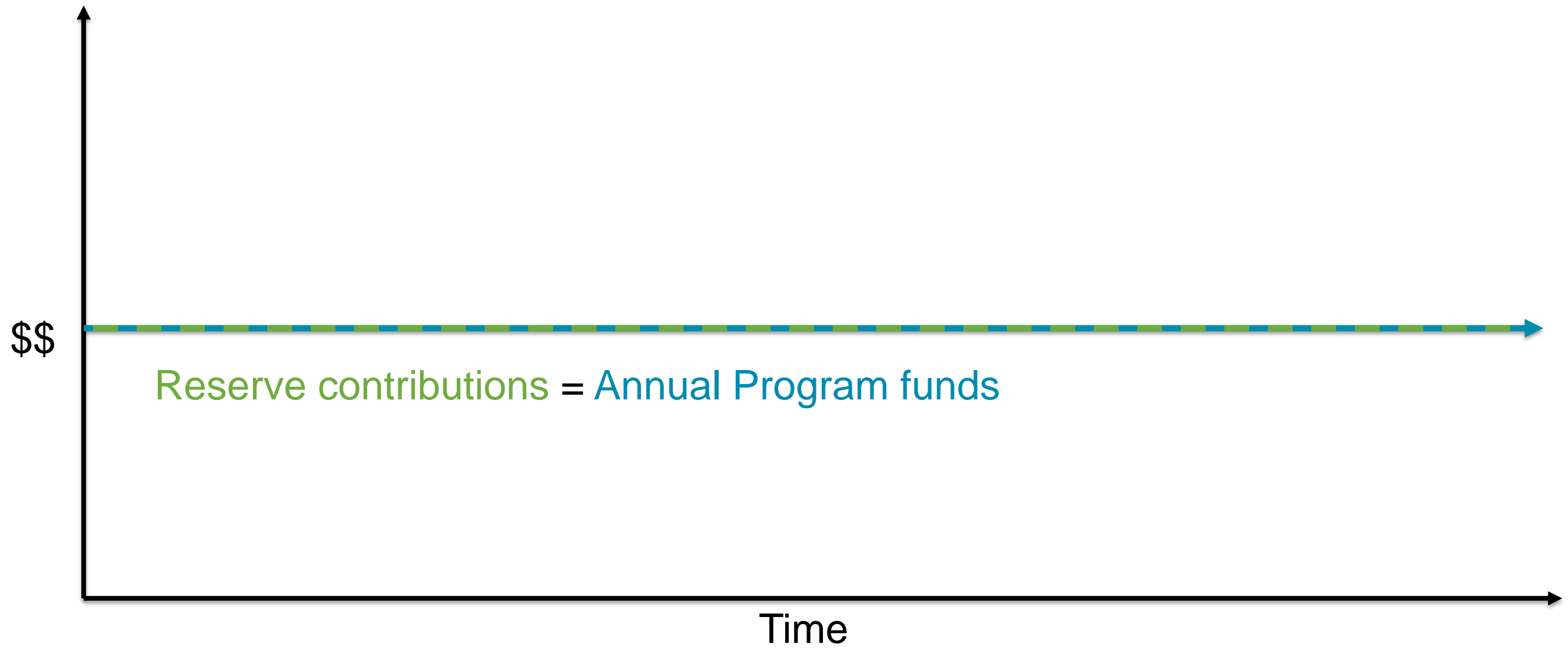
- Reserve replenishment strategy does not currently keep up with inflation

Projections assume all major future capital is unfunded

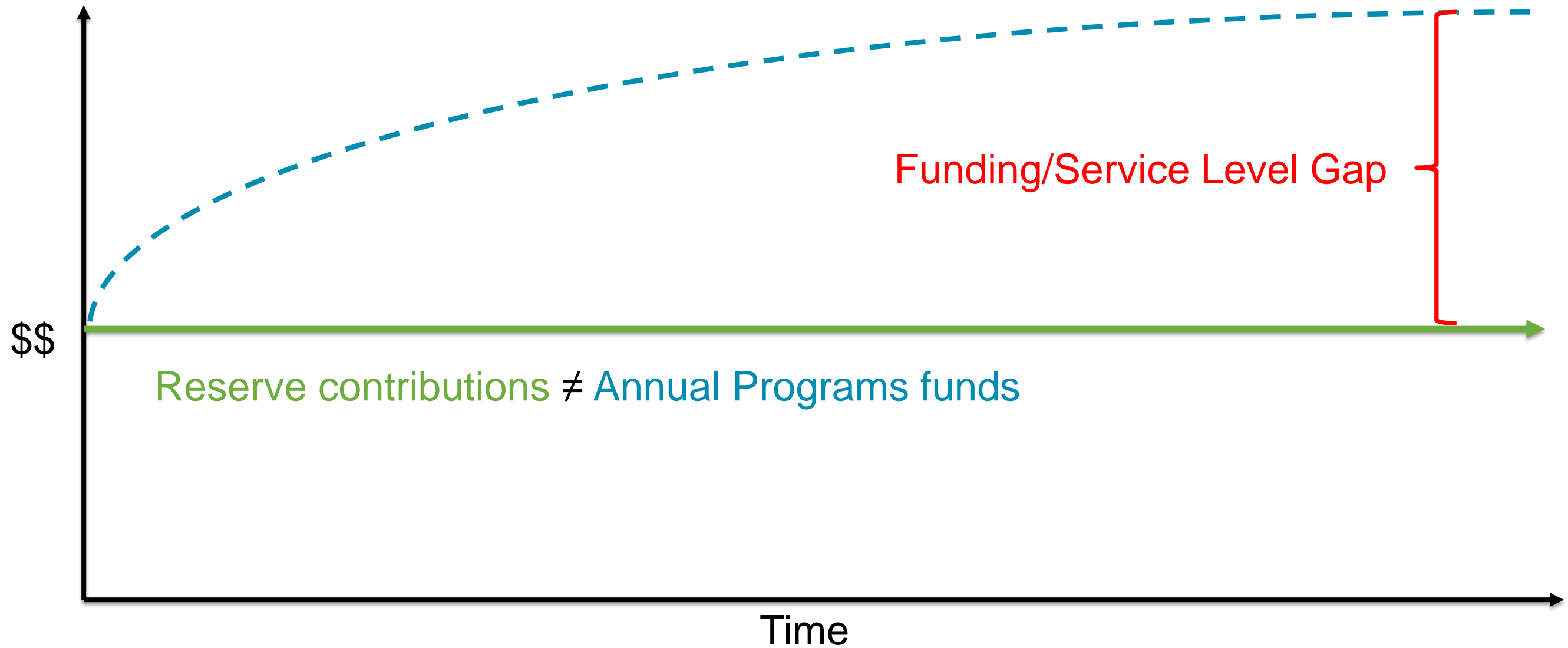
- Reserve challenges are not a result of big-ticket projects

Reserve strategy will need help to get us to where we need to be

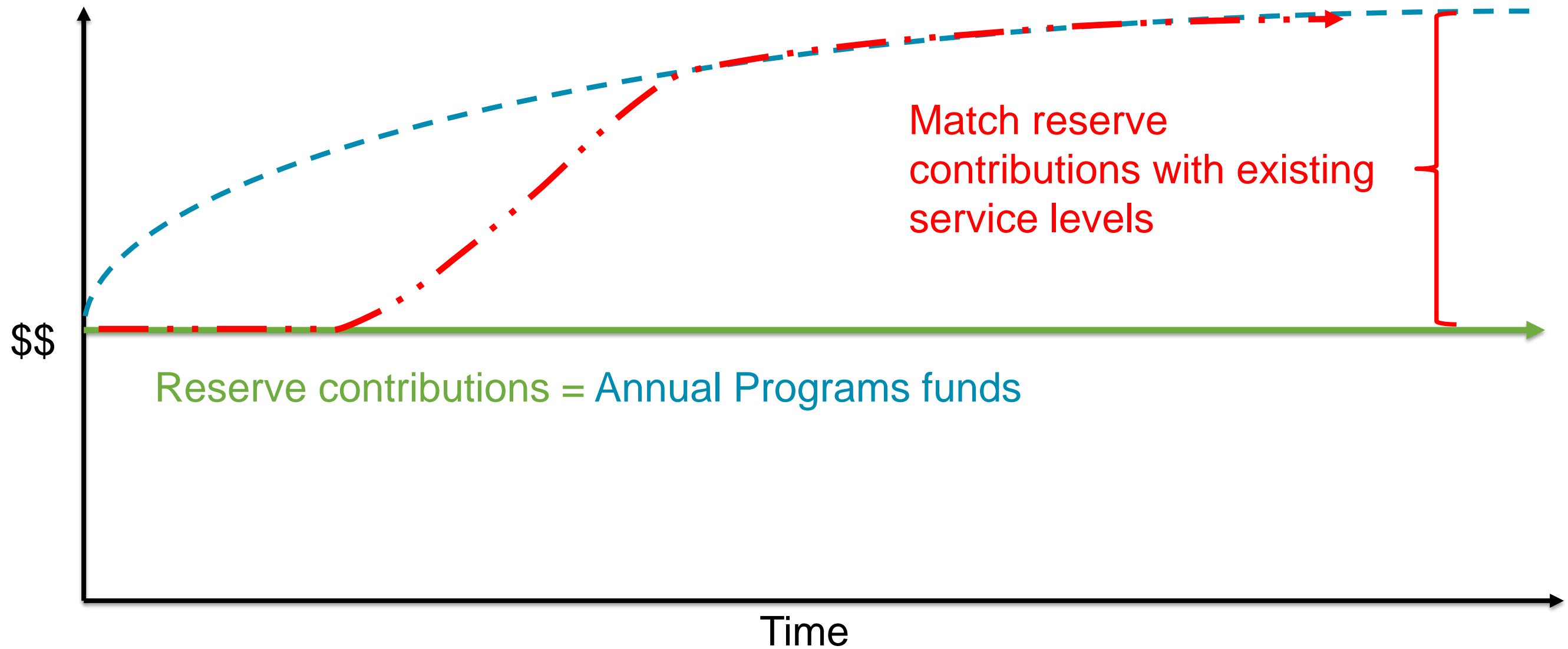
The Theory



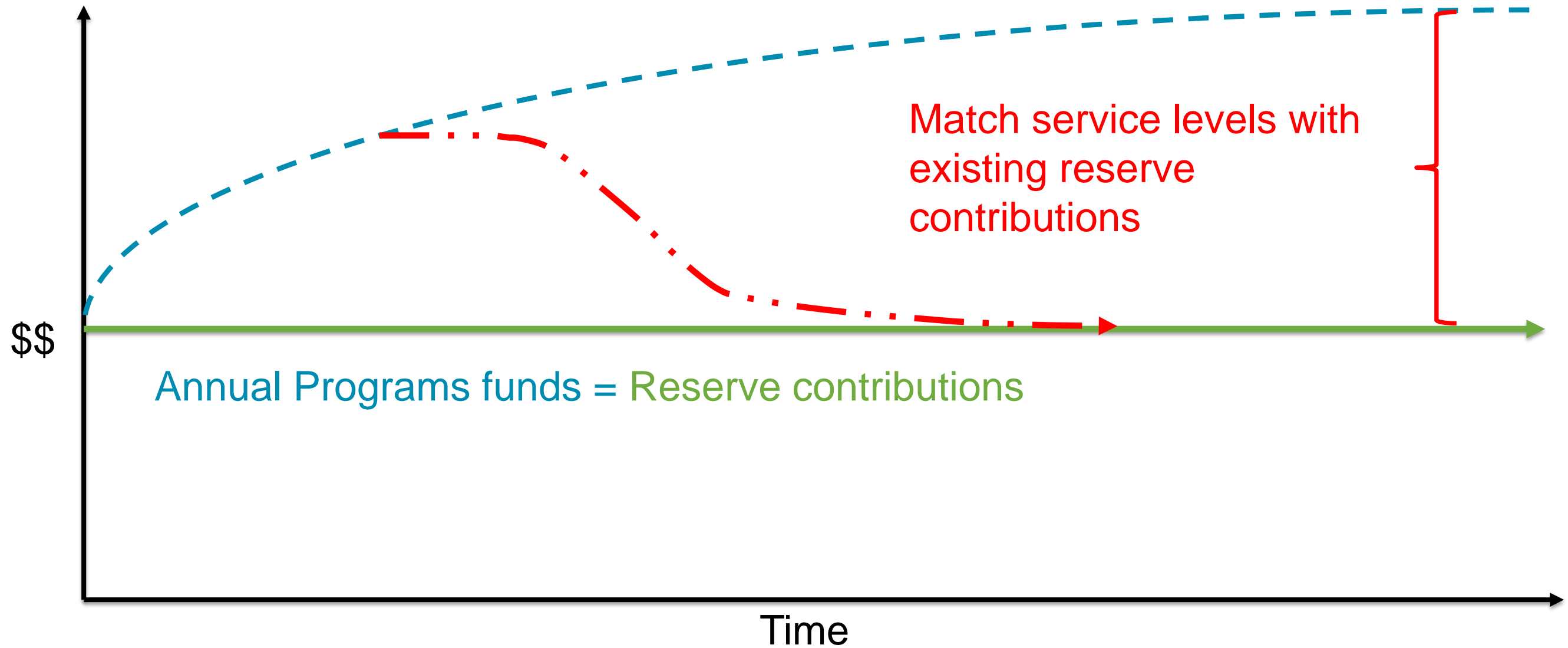
The Challenge



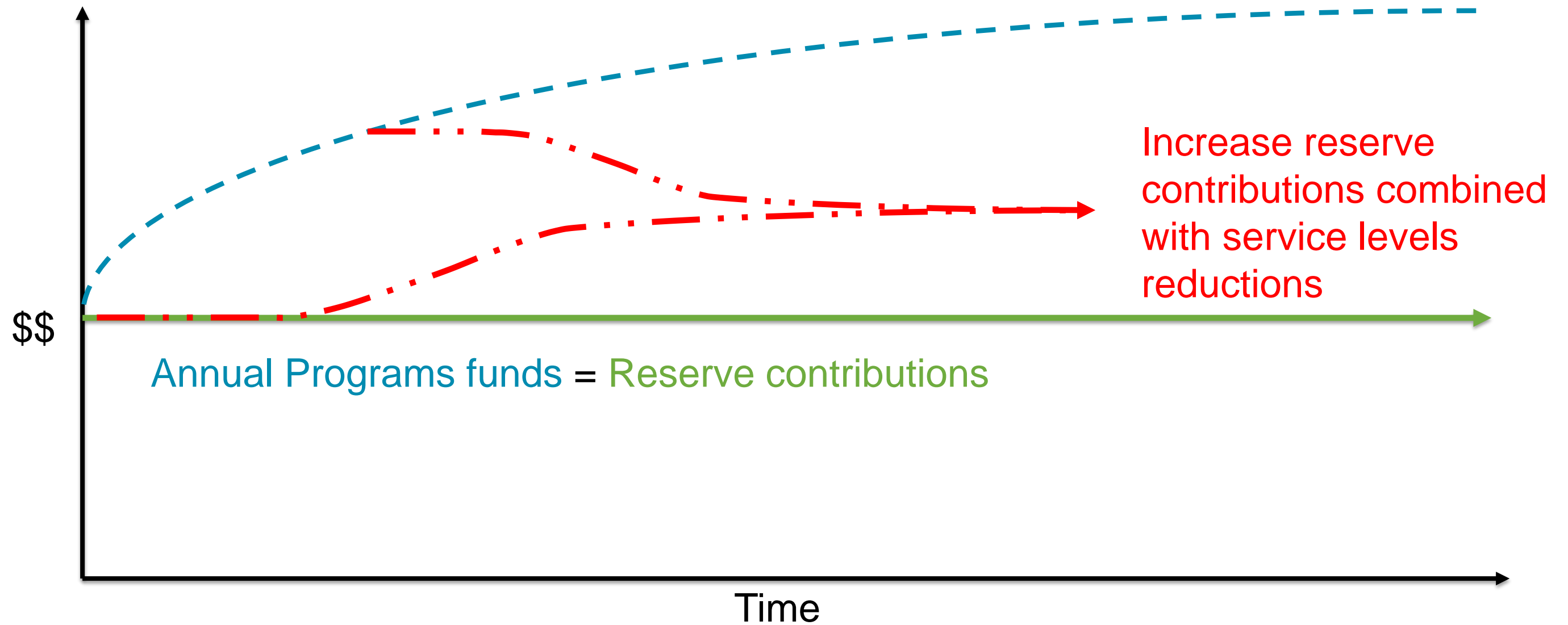
Response 1 – budget 2024



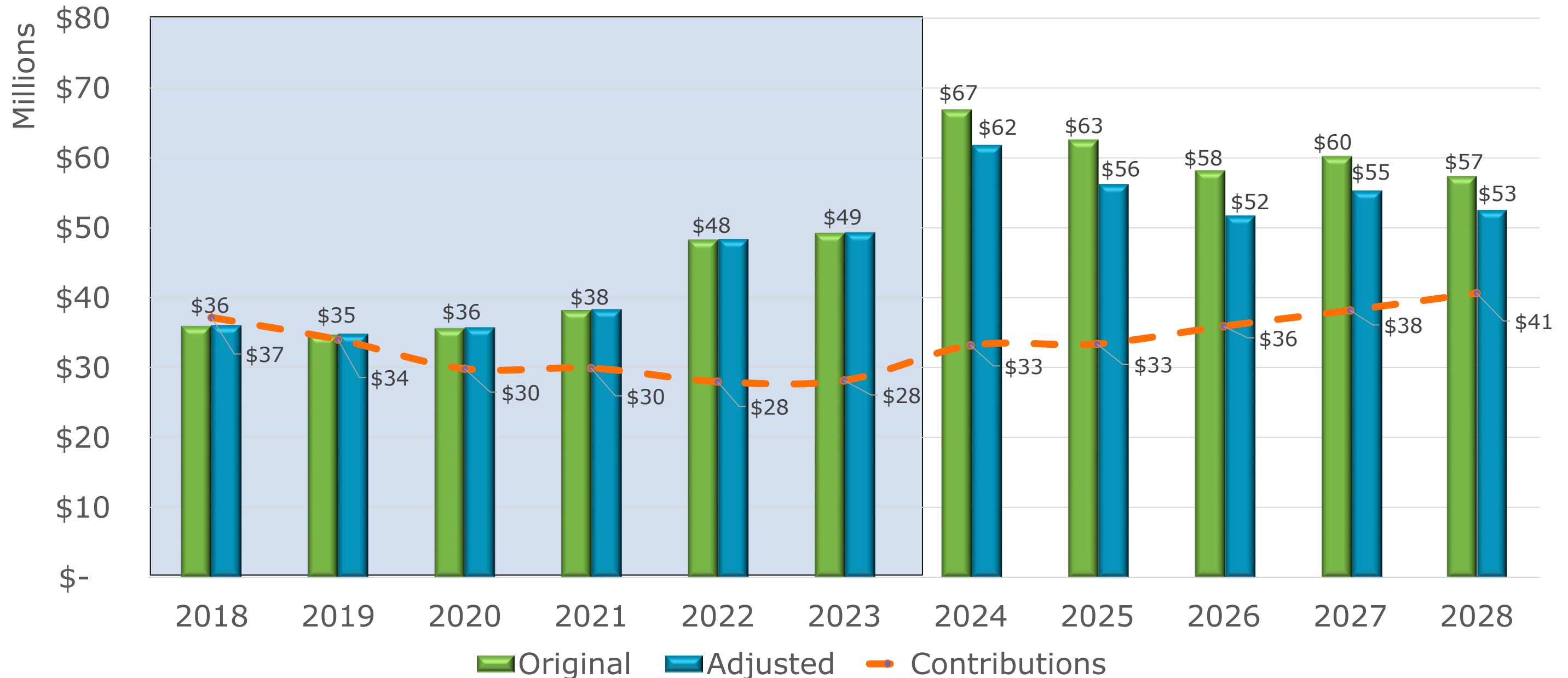
Response 2



Response 3



Annual programs vs contributions

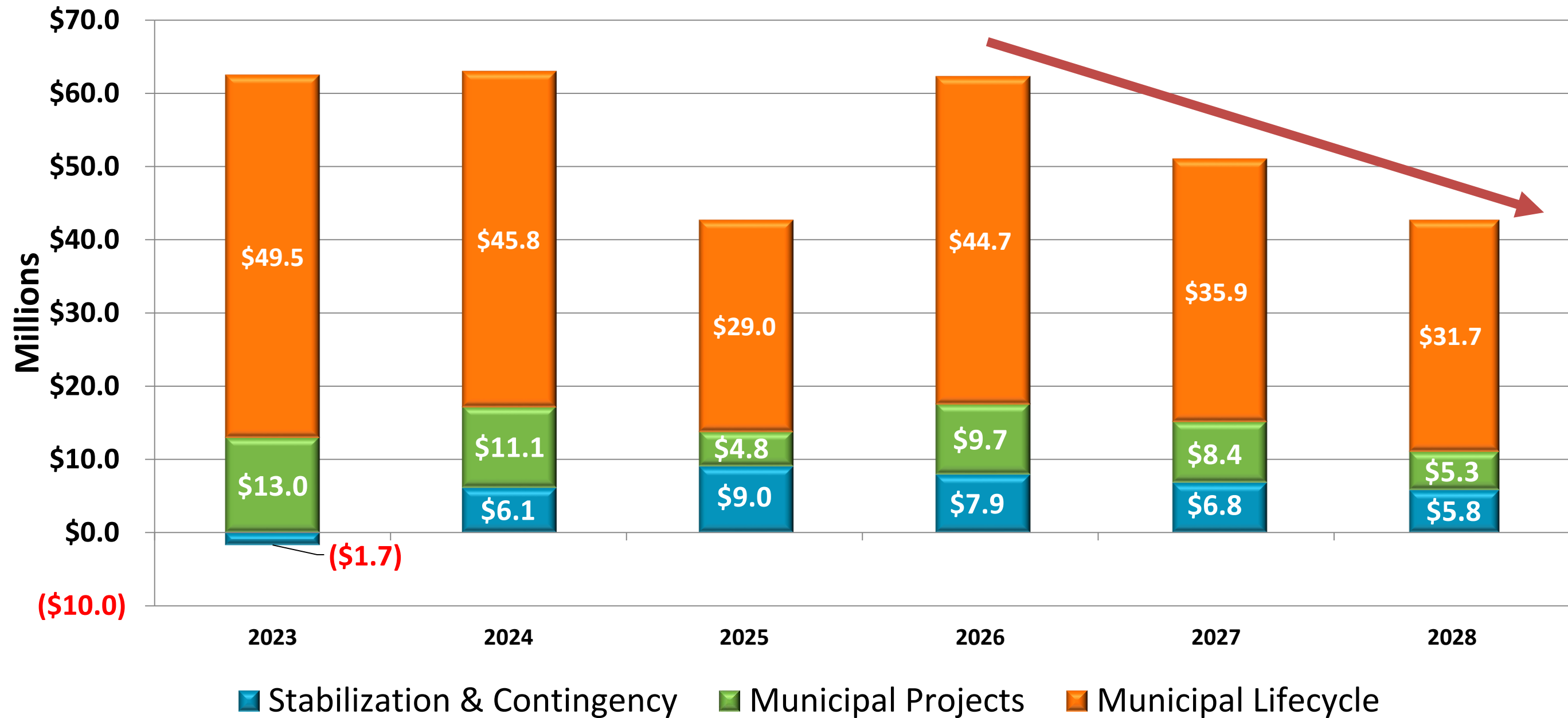


Proactive response

- Reviewed Capital Submission
 - Deferred numerous projects outside 3yr window
- Accelerated Reserve Replenishment Strategy
 - Incremental increases in 2024/26/27
- Reviewed open Annual Program projects
 - Release \$2.7M of reserve commitments
- Reviewed Annual Program Submission
 - Reduced \$27.9M of Annual Programs over the next 5yrs
 - \$24.9M associated with Road Program
 - No immediate impact to service levels
 - Potential impacts within 4yrs time if left unaddressed
- Restructure funding (The Pointe)
 - Convert grant and reserve funding to tax supported debenture
 - Reallocate \$18.3M of reserve and grants
 - Alignment to current philosophy

Municipal reserves – post adjustments

Projected available balances



*Does not include unfunded capital – **Stn 7, Fieldhouse, Arena**, etc.

Strathcona County financial reserves - summary

Municipal reserves

- Stabilization and contingency
 - Stabilization and contingency
- Project reserves
 - Year-end carryforwards
 - Municipal projects
- Infrastructure lifecycle reserves
 - Municipal infrastructure lifecycle
- Special purpose* (9 reserves)
 - Council priority funds
 - General land
 - Heartland infrastructure

Utility reserves

- Stabilization and contingency
 - Stabilization and contingency
- Project reserves
 - Year-end carryforwards
 - Utility projects
- Infrastructure lifecycle reserves
 - Utility infrastructure lifecycle
- Special purpose*
 - Utility levy debt repayment

*Highly restricted, designated for specific purpose

Debentures (debt)

Debt realities

- Sustainability guidelines
 - Commit no more than:
 - \$20M / year
 - \$180M over a ten-year period
- Commitments* over the last year:
 - \$78M (four year's worth of debt)
 - The Pointe - \$46M
 - Bremner waterline - \$13M
 - Centre In The Park - \$19M
- \$100M capacity remaining for the next 9 years
 - 10 year plan currently has \$305M unfunded (only debt possible)
- Debt length:
 - Borrowing lasts between 15-25yrs
 - Reduced future flexibility
- Interest rates:
 - Floating between 5-6%
- For every \$10M in debt issued:
 - Annual payments of \$1M are added to the budget
 - Tax rate impact of ~ 0.4%
 - The debt servicing ratio goes up 0.2%
 - \$50M of debt = 1% debt servicing ratio

*Only design for CITP has been approved to date

Long-term plan debt considerations

- Material rehab/renewal capital

- Ardrossan Arena
- Bremner House
- Glen Allen Arena
- Kinsmen Leisure Centre
- Moyer Rec Centre
- Sherwood Park Arena
- Strathcona Olympiette Centre
- Strathcona Wilderness Centre

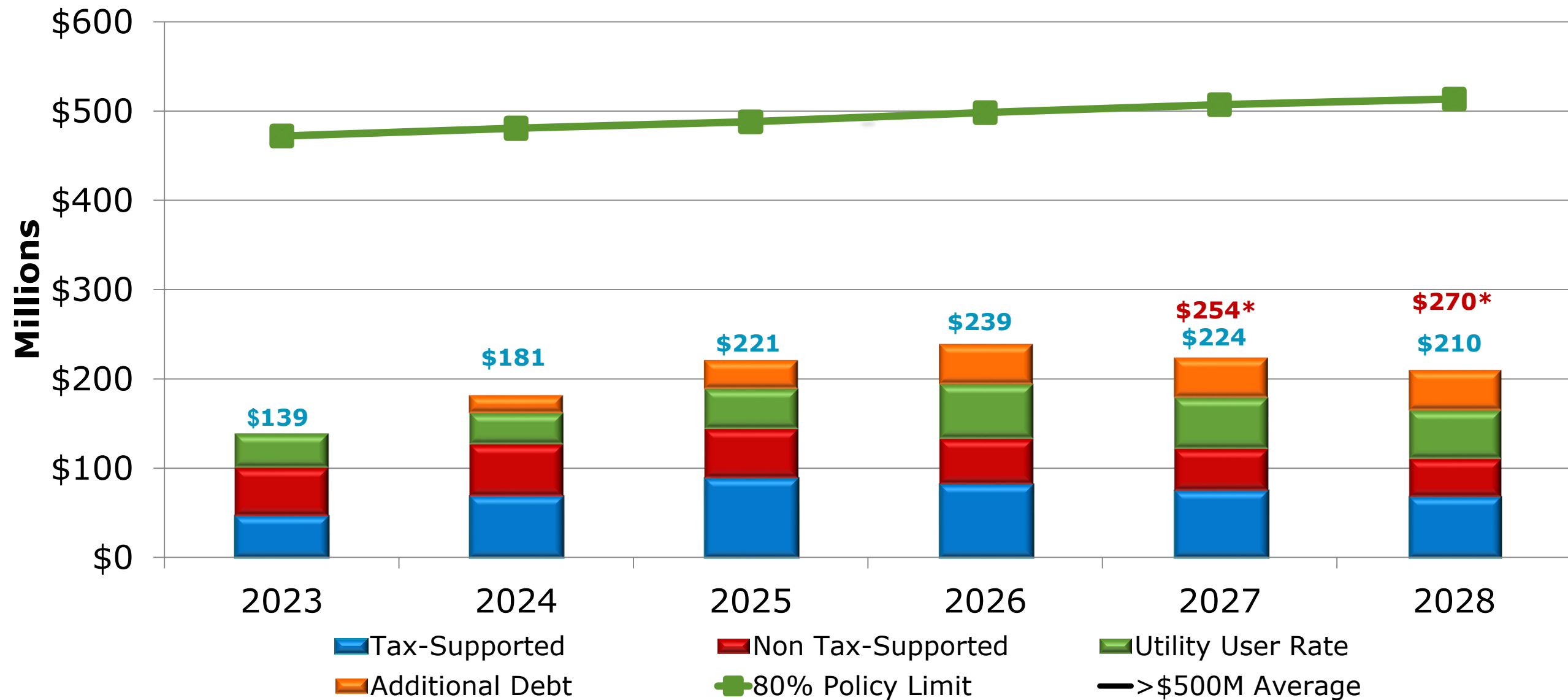
- Material growth capital

- Fieldhouse
- Seniors facility
- Transit bus barn
- 25 road projects
 - 3 projects within 3-year approval window

- Significant triggered capital list*

*Factors include: Potential growth and/or future service levels

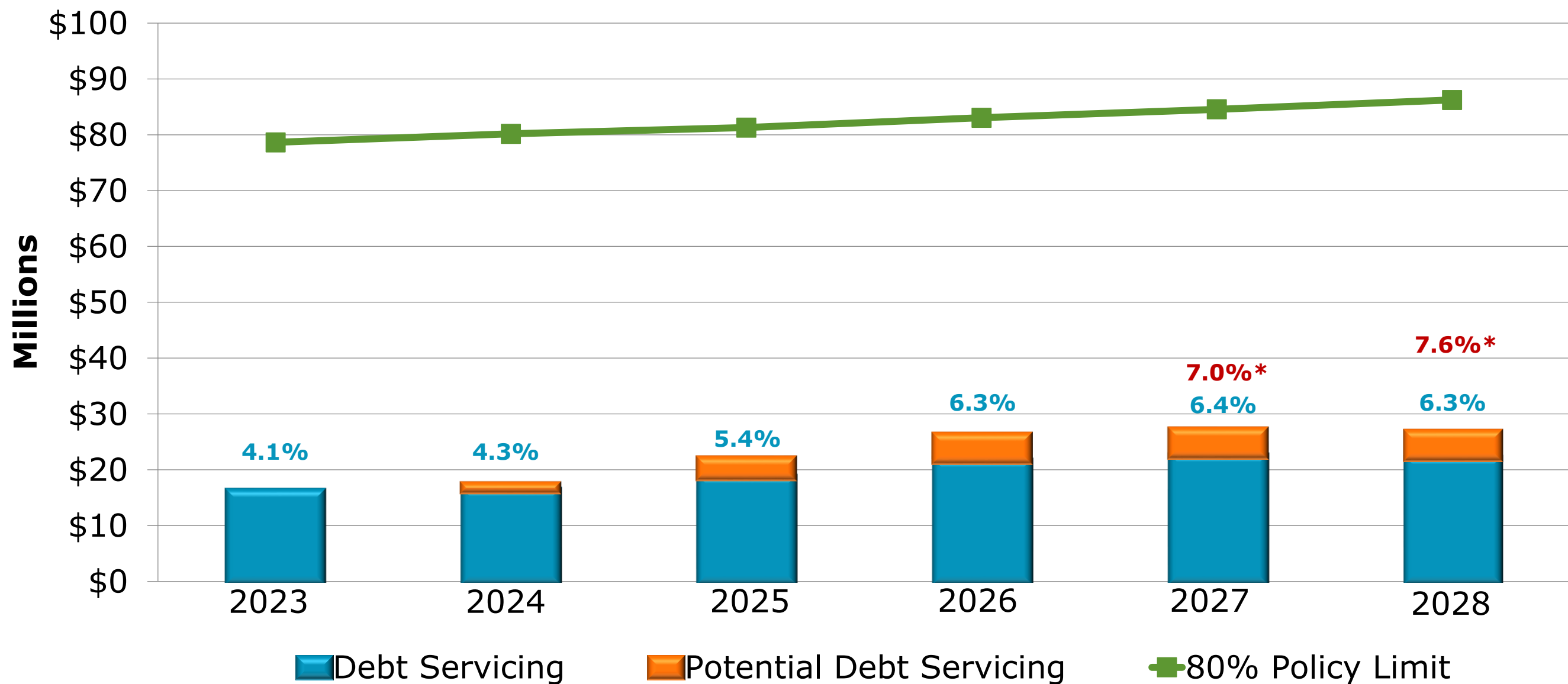
Current and recommended debt



Includes The Pointe adjustment and Station 7

*Theoretical debt position if Fieldhouse approved

Projected debt servicing

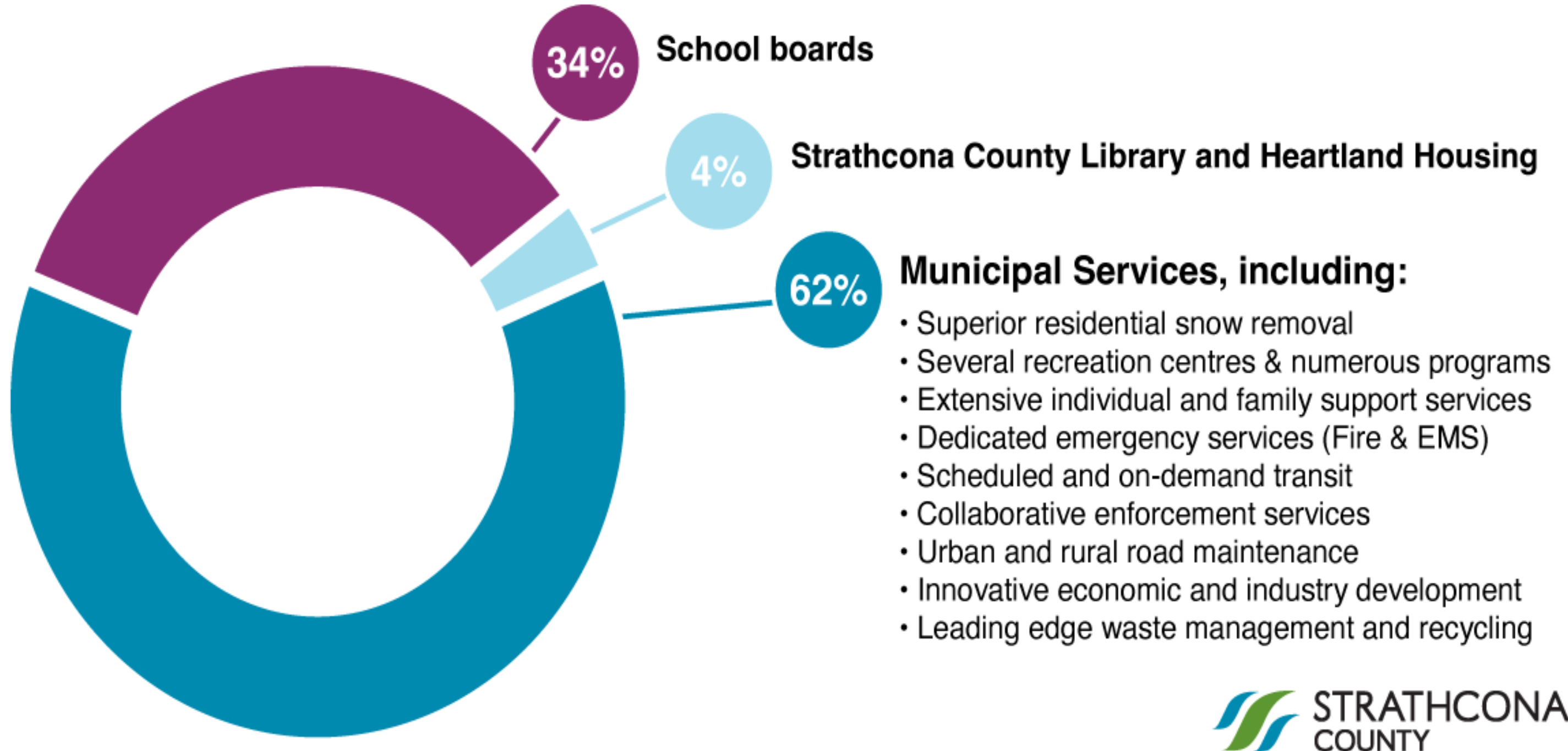


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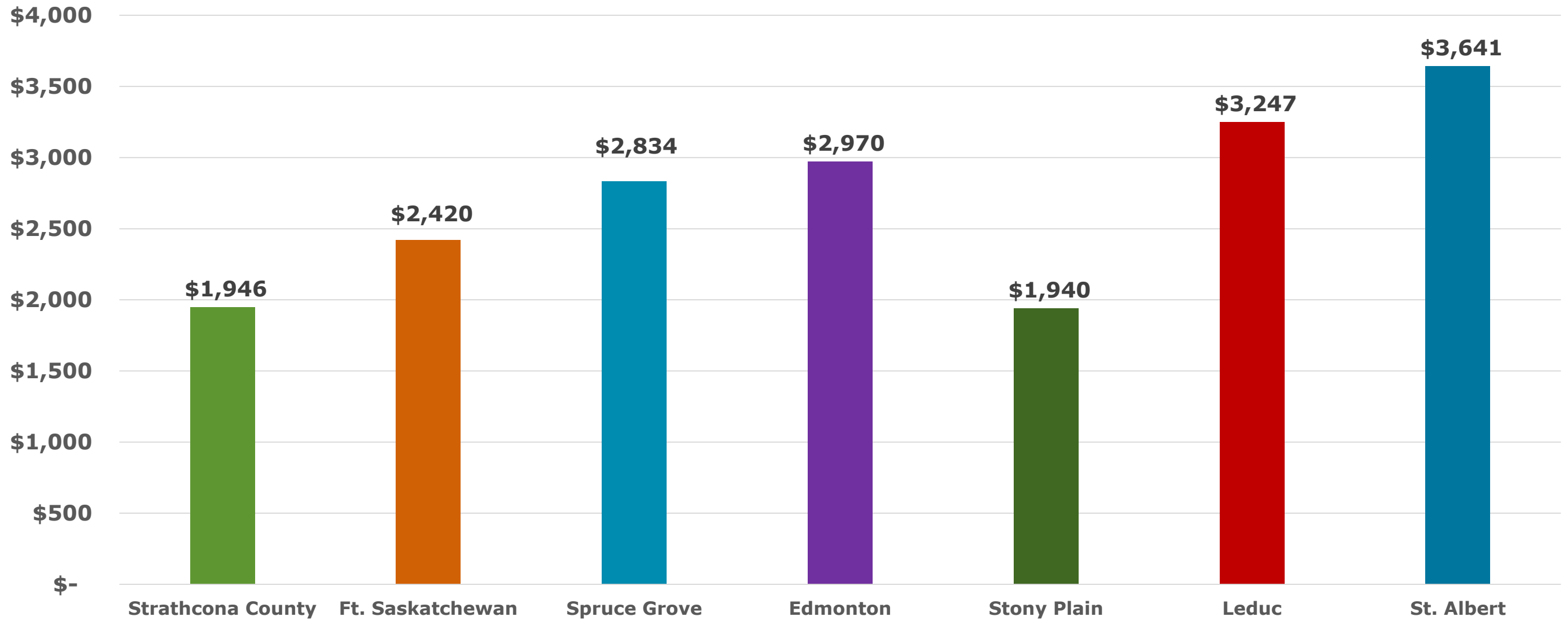
Closing remarks

WHERE YOUR TAX DOLLARS GO



2023 Mill rate comparison

Tax payment on a \$448K average residence



Impact to a sample household

To maintain the excellent service levels that Strathcona County residents have come to appreciate, the impact of a **4.69%** tax revenue increase to sample residence assessed at \$448k is:

- **\$92/year**, or
- **\$8/month.**



Impact to a sample commercial property

To maintain the excellent service levels that Strathcona County residents and businesses have come to appreciate, the impact of a 4.69% tax revenue increase to sample commercial property assessed at \$1.8M is:

- **\$862/year**, or
- **\$72/month**.



Communication plan



Promotion of public hearing – advertisements and social media posts and media release went out and continue



Media release on public release of budget – Nov 15 (today)



News columns by Council members (first one Nov 16)



Sherwood Park News article from interview with Jennifer Cannon - Nov 16



Toolkit for Councillors (including separate graphics created to help explain budget/value for services, key messages, content for website)

Future budget dates

Date	Items
November 15	Overview of proposed budget - public release of budget documents online
November 15, 17, 22	Division and community partner presentations and fees, rates and charges bylaw, COLA – closed session, capital budget and non-statutory public hearing
November 27, 30 December 4	Council driven initiatives, flagged item responses, deliberations and budget and related approvals



Key takeaways

- Global events have caused persistent and substantial inflationary pressures.
- An infrastructure funding gap emerged from a surge in costs.
- Accelerated attention is required for the reserve position.
- Prioritization is needed for debenture funding, which is finite.
- Strathcona County has a strong financial foundation to cope with this challenge proactively.

Questions