

Priorities Committee Meeting_Jul15_2025

STRATEGIC INITIATIVE AND UPDATE

2026 Budget Update

Report Purpose

To provide the Priorities Committee with an update on the 2026 budget.

Our Strategic Goals

Goal 4 - Municipal Excellence

Goal 4 Priority - Optimal use of resources that meets the community's needs

Report

Strathcona County is entering the 2026 budget cycle with financial pressures that require careful consideration. In December 2024, administration forecasted a 6.63 per cent increase in municipal tax revenue for 2026. This increase is necessary to maintain current service levels, fund capital and operating commitments, and resume the reserve replenishment strategy that was paused in 2025.

The proposed municipal revenue increase is composed of several elements -

Prior year decisions:

- Capital-driven components (4.39 per cent):
 - Recreation levy for advancing the Indoor Fieldhouse
 - Debt servicing for the Indoor Fieldhouse, Bremner Stage 1 development, Station 7 firehall, and The Pointe Agricultural Event Centre (The Pointe)
 - Reserve replenishment strategy
- Operating components (0.59 per cent):
 - Full year operations for The Pointe
 - Station 7 firehall staffing (eight FTEs in 2026, year three of six)

Current year decisions:

- Base operations inclusive of growth: 1.65 per cent

Economic and inflationary trends

Given the structure of the 2026 budget, much of the proposed tax increase is tied to previous initiatives. These components are largely fixed or contractually obligated, leaving very limited flexibility for reductions. At this time, administration has not finalized the 2026 budget; however, early indications show that achieving a municipal revenue increase year over year to match the Consumer Price Index (CPI) as per Council's motion will be challenging. Further reductions to base operations, inclusive of growth, will require careful consideration as they may impact the organization's ability to sustain services and do not account for the organization's own inflationary impact.

The County's financial planning is being shaped by a range of external economic factors. Inflation continues to impact both operating and capital budgets, with the Consumer Price Index (CPI) for Edmonton showing a cumulative increase of 19.3 per cent between 2019 and 2025. The Building Construction Price Index (BCPI), which directly affects municipal capital projects, rose by 36.7 per cent over the same period.

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In addition to inflation, global trade dynamics are contributing to cost pressures. Recent U.S. tariffs on steel, aluminum, and other goods have increased procurement costs for the County. The volatility of the Canadian dollar, particularly in relation to U.S.-based purchases such as servers and equipment, is also a concern. Furthermore, the carbon tax, while providing some short-term savings in 2026, is expected to increase significantly in 2027, adding further pressure to future budgets.

These economic conditions underscore the importance of long-term financial planning and the need to build resilience in the County's fiscal framework.

Growth and emerging pressures

This growth is evident across multiple service areas. To highlight a few, mobility bus trips increased by 85 per cent between 2022 and 2024, while building permits rose by 35 per cent over the same period. The total value of construction based on permit data now exceeds \$210 million. Infrastructure expansion has been substantial. Since 2019, the County has added 22.9 kilometres of new roadways, 14.6 kilometres of sidewalks, and 7.6 kilometres of trails. Utility infrastructure has also expanded, with 70 kilometres of new water, wastewater, and stormwater pipelines installed between 2020 and 2024.

These trends highlight the need for continued investment in infrastructure and services to meet the needs of a growing and diversifying population.

Property assessment and taxation outlook

The County's tax base is also reliant on regulated property assessments, which include pipelines, telecommunications infrastructure, and electric power systems. Emerging or potential risk scenarios associated with this category of property assessment may present significant implications for Strathcona County, warranting careful consideration and proactive planning. Some examples include:

- Provincial government policy: Changes in the assessment model may affect assessment outcomes and municipal revenues.
- Assessment complaint trends: A rising volume of assessment complaints across Alberta.
- External economic factors: Market volatility may influence property valuations and future investments.

Administration is actively monitoring these emerging and potential risks and will keep Council informed with timely updates as new information arises.

Reserve and debt management

Strathcona County remains within both its legislated and self-imposed debt limits, with committed debt projected at \$231 million in 2026. The County continues to take a conservative approach to borrowing, ensuring financial flexibility for future needs.

The reserve replenishment strategy, paused in 2025, resumes in 2026 with a planned contribution of \$7.5 million. This is part of a phased plan to grow reserve contributions to \$12.5 million by 2028. Despite these efforts, the County faces a projected shortfall of \$17.0 million in 2026 between annual program costs and reserve contributions. This gap is currently being filled with one-time funding sources such as surpluses and grants, which are not guaranteed in future years. Strengthening sustainable funding remains a key priority.

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Service level considerations

Strathcona County faces rising costs due to inflation, increased demand, and infrastructure growth. The 2026 budget will need to respond to these evolving needs while supporting long-term financial sustainability. A balanced, forward-looking approach will be key to meeting both current expectations and future demands.

Council and Committee History

June 26, 2025	A preliminary 2026 budget discussion was held with Council at the Council Budget Facilitated Session.
June 24, 2025	Council was provided with a report on the impacts of tariffs and foreign exchange.

Other Impacts

Policy: N/A

Financial/Budget: There is an impact on the County's budget for 2026 due to the factors identified in this report.

Legislative/Legal: N/A

Interdepartmental: N/A

Master Plan/Framework: N/A

Enclosure

1	2026 budget update presentation
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