

Meeting Date: August 8, 2023
Department: Finance and Treasury
Report No.: FIN-2023-32
Submitted by: Lindsay Laskey – Manager of Accounting-Deputy Treasurer
William Dakin – Director of IT/Finance-Treasurer, Acting CAO

Approved by: William Dakin – Director of IT/Finance-Treasurer, Acting CAO

SUBJECT: Multi-Year Budget 2024-2027

RECOMMENDATION: THAT: Council receive report FIN-2023-32 for information; and further THAT: Council recommends administration develop recommendations for the draft 2024-2027 multi-year operating budget that give Council a starting position of a tax impact at or below the estimated rate of annual inflation, that continues to replenish and build Reserve Funds; and further THAT: the schedule of Finance Committee Meetings be accepted.

STRATEGIC PLAN ALIGNMENT:

This matter is in accord with the following strategic priorities:

- Allocate sufficient resources for capital and operating infrastructure needs
- Develop long-term plans for municipal facilities and real estate

BACKGROUND:

The preparation and approval of a municipal budget formalizes the operational requirements for the upcoming year based on the best information available at the time. As with any business or organization, issues will arise, controllable or uncontrollable, that may require a change from the initial plan.

A few items that staff are monitoring as we approach the 2024-2027 budget development are:

- significant changes in the consumer price index (CPI)
- developing sustainable financial strategies for reserves, debt and infrastructure requirements
- senior government legislative changes
- municipal cost of inflation pressures that are different from the consumer price index

- the magnitude of services delivered by municipalities and those that are controllable locally vs. mandated by senior governments e.g. Planning, Emergency Services.
- competitive tax policies

The budget process used by Strathroy-Caradoc continues to evolve, and this evolution will continue in 2023 with the implementation of Strathroy-Caradoc's first multi-year budget, which will span 2024-2027, as approved by Council in February 2023. The report is attached along with the policy as Appendix A.

COMMENTS:

The recommendations in this report remain consistent with the budget direction provided during the 2023 budget.

Inflation is a concern for operations and has severely eroded the purchasing power of the Municipality. Administration will continue to evaluate both the short-term implications and long-term inflation targets of the Bank of Canada and will make sound financial recommendations.

The most recent Bank of Canada Monetary Policy Report has projected the Consumer Price Index (CPI) to continue to decline in 2023, nearing the Bank of Canada target of 2 to 2.5% in 2024-2025. As a result, the four-year average CPI over the 2024-2027 multi-year budget term is currently projected to range from 2.5% to 3%. The CPI rates that will be included in the 2024-2027 multi-year budget.

The Municipality is in good financial shape, however as a municipality there are many large scale projects on the horizon which will have an impact on currently stable reserves. Council and Administration will need to continue to ensure Reserve Funds are built and replenished in order to remain financially stable. In multi-year budgeting, annual allocation to Reserve Funds will be prudent financial planning to offset unknown items such as vendor contract and insurance increases along with any potential Provincial or Federal funding changes beyond year one of the multi-year budget.

Prior to the pandemic, the Provincial government began work on changes to funding formulas for provincially-funded programs. Permanent changes to these funding formulas will result in a larger share of the cost being borne by property taxpayers. It is also anticipated that Strathroy-Caradoc will continue to see decreases in OMPF funding for the 2024 and beyond budget years. As the case last year, this expected reduction is the result of continued assessment growth indicators in Strathroy-Caradoc.

At the time of drafting this report, Council has not yet begun its 2023-2027 Council strategic directions. While issues such as more affordable housing are anticipated, there may be new issues where Council directs new funding. Allocations to Reserve Funds will assist in keeping the approved budget in place without and allow for potential increases during the year two through four annual update process.

The target included in this report is based on the current knowledge of administration. If Council through the development of Council's strategic directions brought additional items forward to be considered in the 2024-2027 multi-year budget, these items may be considered as part of the annual updates.

The change to a multi-year budget from an annual budget process is a significant change which will likely generate questions. Administration will be working on a strategy to address these questions, but for the interim we have collected a list of Frequently Asked Questions (FAQ's) Appendix B.

We would like to propose the following dates for the Finance Committee to review the 2024-2027 Multi Year budget.; October 23rd, Nov. 13th, Nov 27th, with the hopes of have the Final version before Council at it's Dec 18th meeting.

CONSULTATION:

Management Team

Lindsay Laskey – Manager of Accounting-Deputy Treasurer

FINANCIAL IMPLICATIONS:

There are no financial implications of this report

ATTACHMENTS:

Appendix A – February 8, 2023 Multi-Year Budget Report to Council and Policy

Appendix B – Multi-Year Budgeting Frequently Asked Questions