

2023 Budget Primer & Inflation Impacts



Previous Council Direction – Budget Target

- Target established of an inflation (maintain services) budget plus funding phase in of the Asset Management Plan
- CPI has run 6.9% in 2023
- AMP Council direction of 1.5%
- 2023 Budget Target 8.4% or under

Previous Council Direction – Asset Management Plan

- 1.5% tax equivalent for phase in of AMP funding**
- 6% Inflation on current Base AMP Funding**
- July 1, 2024 AMP Requirement**
 - Every municipality in Ontario must have approved asset management plans for all infrastructure assets at the current levels of service.
- July 1, 2025 AMP Requirement**
 - Every municipality in Ontario must have approved asset management plans that must include proposed levels of service for each category of infrastructure assets.

Ontario Municipal Partnership Fund (OMPF)

■ Reduction of \$892,400 of Provincial Funding

■ Reasons

- Chatham-Kent has done well!
- Population growth
- New assessment (new construction)
- Income Growth
- More urban population growth lowering the “Rural and Small Community” measure

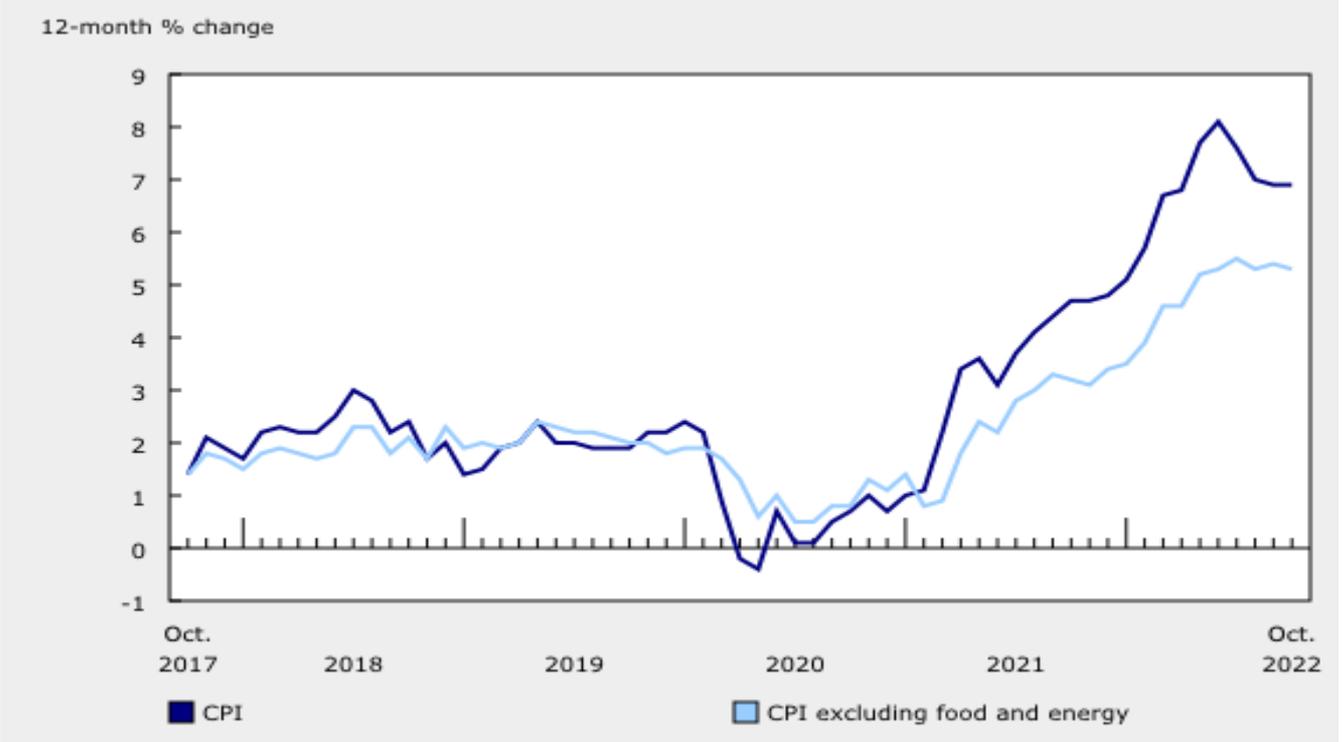
Chatham-Kent Economic Conditions

- **CK 5.3% unemployment rate below Ontario 5.8%**
- **1,697 job postings, 597 companies hiring**
- **BOC borrowing rate expected to increase about 0.5% more than current levels before flattening for 2023**
- **While an economic softening is happening – a recession in Canada and locally are unlikely in 2023**

What is Consumer Price Index?

- Indicator of the change in consumer prices on a fixed Basket of Goods
- Cost of the basket compared month to month to determine if there was a change
- Municipal Price Index would be a better match for municipalities

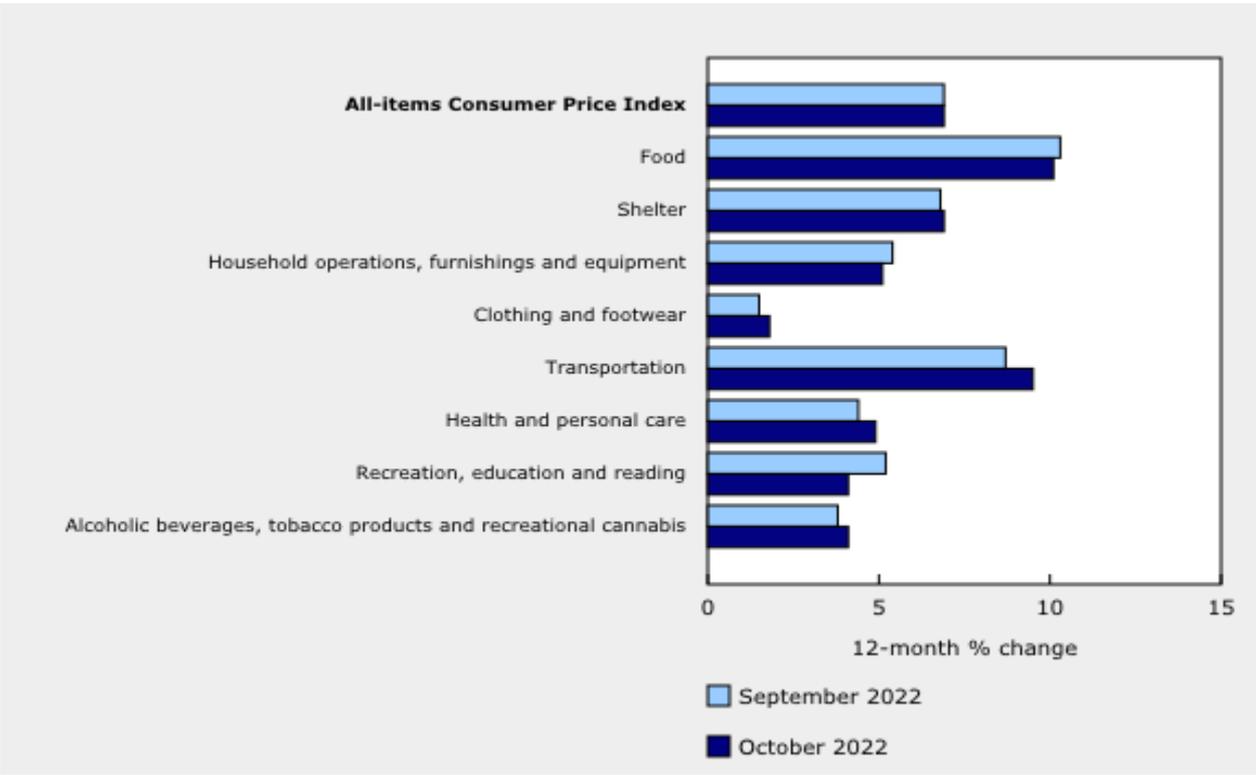
Change in Consumer Price Index (CPI) and CPI Excluding Energy



Consumer Price Index rose 6.9% on a year-over-year basis in October

- Gasoline prices were up 17.8% year-over-year in October
- Average wages rose 5.6% year-over-year
- Food rose 10.1% year-over-year

Prices Rise in all Eight Major Components



Building Construction Price Index (CPI)

- Building Construction Price Index rose 2.1% on a year-over-year basis in Q3 compared to an 8.3% increase in Q3 last year
- Residential Construction Index rose only 2.5% on a year-over-year basis in Q3 compared to a 20.3% increase in Q3 last year

Why Was Inflation High in 2022?

- **2022 high inflation was mainly the result of these circumstances:**
 - People wanted to buy things
 - People had the funds to do so (Personal Savings reached an all time high)
 - Economy and employment was red hot
 - Suppliers could not keep up with demand
- **All the above reasons are softening in response to BOC rate hikes**

Conclusion for Council

- 2023 Budget will have a significant inflation impact
- During 2023, inflation will begin to fall
- Anticipate 2024-2027 multi-year budget inflation will be back to 3-4% still above the BOC 2% target
- Funding of the AMP and related inflation will be a major tax increase annually for the next decade
- Property tax increases across Ontario will consistently be over 5%

Thanks!

Any questions or comments?

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