



# Council Summary June 2019 final.docx

Background Information – Guide for Annual Capital Budget  
Deliberations

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### Additional Material for meeting

- Updated Ten-year General Capital Plan Spreadsheets including projected Tax Rate and Debt Ratio levels.

## Introduction

Like all forward thinking organizations, the Town, led by its Town Council, not only needs to establish a long range capital budget plan it must also review and update that plan on an annual basis. It is critical that each year the long range plan is reviewed in advance of the annual budget process to ensure if modifications are required, or new priorities have been identified, that Town Council re-evaluates the core elements of its long range capital plan.

The ten-year capital plan does not replace the Town's annual budget process where the formal approval of the annual tax rate and capital budget priorities are made. Council will still always have the ability to make adjustments during the annual process. The long term plan provides the foundation on what are Council's future financial and capital project priorities to guide and focus the day-to-day planning and operations for the Town.

In 2018, Council significantly modified the ten-year plan because a number of the key assumptions that the previous long term plan was forecasted from needed to be updated. In particular, the plan had to be updated because the Town's overall assessment growth was below historical results, and those results had not returned in the last few years. That was the single largest factor that influenced the affordability of the original plan. In May of 2018, Council modified the 2018 to 2027 Ten-year Plan to an overall budget amount of \$82 million and focused on the following key infrastructure priorities:

- local improvement streets and pavement management;
- Riverview Recreational Complex (formerly the Wellness Centre);
- Replacement of equipment and vehicles to continue to deliver services to today's standard; and
- Mill Creek's continued development.

Decisions had to be made to reduce the scope of the number of local improvements that could be completed in a year; deferred large road projects including Bridgedale Boulevard and West Riverview Boulevard to the future; and modified the scope of smaller infrastructure projects. During the annual budget process in November and December, Council re-approved the direction established in the ten-year plan.

Council did agree to review the ten-year capital plan every year outside the annual budget process to ensure the plan reflected the long term infrastructure plans of the Town, as well as confirming that the core assumptions were still the right benchmarks and to determine if any of those factors have to change.

The objective of this process is to establish an updated long term capital plan that can be used to help guide and prioritize the Town's operational activities as well as capital budget priorities during the annual budget process. This updated plan also provides some clarity on the anticipated revenue projections and the ceiling threshold on future tax rate discussions.

## Background

### Value of a Long Range Capital Plan

Developing a long range capital budget plan for municipalities can be a challenge for Municipal Councils due to a variety of factors. Challenges include:

- It's difficult to predict what the capital budget priorities are going to be in the future;
- There are always changing community demands and interest for capital investments;
- Emergencies occur and funding opportunities arise that result in the need to amend capital budget plans;
- The need to maintain and invest in renewing existing infrastructure is not as exciting as building something new;
- Previous Councils did not increase tax revenue enough in the past to ensure there was sufficient revenue available today to renew and update existing infrastructure;
- Committing to future revenue growth or tax rate increases can change year to year;
- Planning assumptions change therefore the long range plan needs to be amended periodically; and
- Long range capital budget priorities go well beyond the 4 year election cycle of municipalities.

However, the value and benefits of a long-range capital plan for municipalities far exceed the challenges. Municipalities, led by forward focused Councils, across Canada are establishing, managing and regularly reviewing long-range capital plans that can vary in length from 10 to 50 years.

Municipal Councils must not only be concerned about the interests and needs of the community today, they need to look to the future to ensure the municipal assets that exist today can continue to provide services to residents to the same standard into the future (this is the sustainability pillar of our strategic plan) and they must also consider what are the future municipal infrastructure investments required to grow and develop their community. A one year budget process cannot enable municipal leaders to properly plan and move their community forward. The value that a long range plan provides a Municipal Council include but are not limited to:

- Establishes clear capital budget investment priorities;
- Ensures organizational alignment for today and into the future;
- Allow for the organization to execute the priorities established in the Town's strategic plan;
- Ensures the necessary time for proper planning and development of project plans; tenders; engineering designs; etc. for the projects on the horizon;
- Establishes clear investment criteria to help determine which projects move forward;
- Improves operational decision making within the organization and between departments; and
- Provide a clear plan to help manage external demands and expectations (residents; developers; businesses, etc.).

## Asset Management Plan

An Asset Management Plan, is a long range planning document which is intended to improve the Town's ability to meet its strategic, sustainability and long term goals and objectives in a way that best serves the community.

The principal policy statements included in the Town's Asset Management Policy are:

- *To ensure transparent Asset Management practices, we will have clearly defined levels of service that balance customer expectations and regulatory requirements with risk, affordability and available resources. In implementing AM we will:*
  - *maintain and manage assets at the defined levels of service, and*
  - *monitor standards and service levels to ensure that they meet/support community and Council expectations and objectives, and*
  - *follow regulatory requirements.*
- *To have a system wide approach to AM that considers the impacts of our decisions on internal business units and the community. To ensure effective AM for all aspects of the asset life cycle we will:*
  - *make informed decisions using formal, consistent and repeatable methods;*
  - *be informed by community priorities as determined by Council;*
  - *consult with stakeholders where appropriate, and*
  - *regularly report on the status and performance of the Town's AM program.*
- *To make appropriate long term decisions, enabling our assets to meet the challenges of customer expectations, legislative requirements, and climate change impacts. When making these decisions current and future generations shall be considered.*
- *Assess the full impact of managing assets through their life cycle from acquisition to renewal or disposal, we will evaluate new and existing asset investment decisions based on whole-of-life costs.*
- *Continually measure the effectiveness of our asset management processes and adjust our processes based on the feedback that is received.*

An asset management plan allows a community to have a better understanding of the state of its existing infrastructure; creating a linkage between the infrastructure in place and the expected service levels in a community; and linking the financial strategy of the community to ensure a municipality is managing and maintaining its existing assets to deliver on the residents expectations for service. One of the greatest values of an asset management plan is it allows an organization to recognize the significant financial investment needed to manage and maintain existing assets to deliver today's services before a municipality considers new and additional assets that expand services.

## Assumptions – Foundation of Budget Projections

For the Town to be able to develop a long range capital plan, it is necessary to establish assumptions for a number of items so that future projections can be made. The assumptions include: tax base

assessment growth; operating budget growth; general revenue changes; external capital funding opportunities; interest rate; level of investment in capital budget from the General Operating Fund; stability of Provincial equalization funding; and more.

To provide Council with a good overview, this list below summarizes the core assumptions in the ten-year plan approved by Council in May of 2018 were:

- Town's assessment growth was projected to be between 0.5% and 1% over the next ten years;
- The tax rate was going to increase 1 cent a year for ten years;
- The equalization grant was going to be flat to 2017 levels - \$2.3 million a year;
- The Wellness Centre project was budgeted at a \$16 million expense (\$4.0 million increase) with assumed Federal and Provincial funding of \$2.0 million each and \$1.0 million in fundraising;
- Operating Expenses were projected to grow by 2.0% a year;
- The debt ratio was going to be between 11% to 16% over that time period; and
- Limited capital reserves to remain after 10 years.

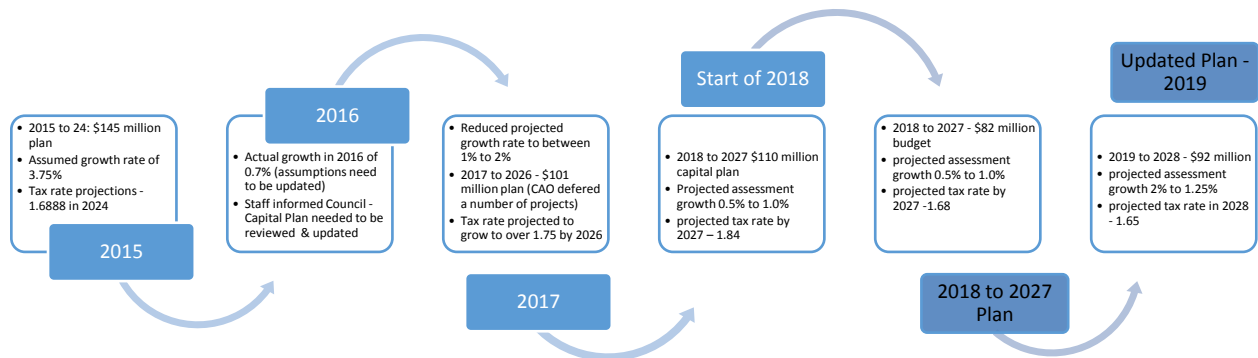
When the 2019 budget was finalized in December of 2018, there were a couple of assumptions that needed to be revisited. In particular, the Town's assessment growth in 2019 was higher than we had projected in this model (1.78% actuals versus projection of 1.0%) which was positive. As well, the equalization grant was higher than the model projected, so as staff prepared to update the ten-year plan we decided to review and revise those core assumptions based on new information as they have a significant impact on the affordability of the overall plan. While it is difficult to predict the future, the Director of Finance and CAO determined that the following assumptions would be modified in the ten-year projection model:

- Due to positive development signs in 2019, the projected assessment growth in the model will be 2.0% in 2020 and 1.25% for all the remaining years;
- The equalization grant was increased to \$2.5 million a year for the ten years;
- The Riverview Recreation Complex Project was modified to \$20 million to be consistent with the fundraising campaign and as a result the projected external revenue was adjusted to be \$2.0 million from fundraising and the Federal and Provincial contribution is projected to be \$3.5 million each; and
- As a result of the additional gas tax funding that was announced this year (\$1.4 million), the Director of Finance was able to adjust the Utility Budget and transfer a portion of the tax funds to the General Capital budget to offset some of the project costs in this fund<sup>1</sup>.

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<sup>1</sup> For a number of year's Council has earmarked Gas Tax Funds for the Town's watermain renewal projects in the Utility Capital Budget. This ten-year plan continues that commitment, however the additional funds have been transferred into the General Capital Budget to help offset projects in this budget and reduce the Town's borrowing requirements.

## History of the Ten-year Plan



## Previous Ten-Year General Capital Plan

The table below includes the highlights in the Ten-Year Capital Plan approved in May 2018:

**Total Spend over ten years: \$82 million**

Average  
\$2.3million a year  
for local  
improvements (2  
to 4 streets a year)

\$1.1 million a year  
for Pavement  
Management  
Program

\$3.3 million for storm sewer projects  
\$3 million for Bridgedale stub street

\$1.3 million for  
Lions Pool

\$1.8 million for Mill  
Creek Park in ten years

\$16 million for Phase 1  
- Wellness Centre  
Project

\$3.64 million Byron  
Dobson – remaining

\$4.0 million over 10  
years for Fire  
Department and other  
General Government  
projects (equipment;  
facilities; etc)

## 2019 Updated 10 Year Capital Plan – General Fund

The graphic below provides a high level summary of an updated ten-year plan that staff is presenting to Council for consideration. The details of this plan are in the attached files.

## Total Spend over ten years: \$92.8 million

Average  
\$2.3million a year  
for local  
improvements (2  
to 4 streets a year)

\$1.1 million a year  
for Pavement  
Management  
Program

\$3.3 million for storm sewer projects (Storm sewer study)  
\$5.4 million for Bridgedale Blvd.  
\$3.0 million to start Coverdale Reconstruction - 2028

\$1.3 million for  
Lions Pool

\$1.87million for Mill  
Creek Park in ten years

\$20 million for  
Riverview Recreation  
Complex

\$3.64 million Byron  
Dobson – remaining

\$4.0 million over 10  
years for Fire  
Department and other  
General Government  
projects (equipment;  
facilities; etc)

The most notable changes in this proposed ten-year plan and reflect the increase of \$10 million (over the ten-year period) are:

- The Riverview Recreation Complex is budgeted as a total project of \$20 million, and the external funding sources have been adjusted to reflect the fundraising target and an increase in Federal and Provincial contributions resulting in no net increase to Town funds required. The Federal and Provincial share included in the budget is still below what other similar municipal projects have received, however those funds are not committed so that still remains a financial risk that has been built into this plan.
- The budget for Bridgedale Boulevard was increased to \$5.4 million from \$3.0 million. The original plan was simply to do a stub street to the future recreation complex. This proposed plan contemplates a new road, including lighting (not fancy like Gunningsville), and a trail that would connect Gunningsville Blvd to where the extension of Runnymede (entrance to Mill Creek) would meet up with the new road. With this level of funding, the section of Runnymede would remain in the same condition as today. The Town wants to avoid upgrading that portion of the road as that traditionally would be the responsibility of the developer to bring that road up to today's standards.
- In 2028, the Engineering Department has included \$3.0 million for the first phase of reconstructing Coverdale Road.
- \$400,000 was added to the plan for a sidewalk on Sussex Ave.
- The proposed roundabout for Pine Glen and Pinewood planned for 2021 increased from \$500,000 to \$700,000. The costs related to moving the utility lines are notable larger than original anticipated.



A few other notable impacts of this updated plan Council should be aware of is that:

- The model is only projecting that the tax rate would increase by 6 cents over this ten-year period, not 10 cents as the previous model did.
- This model also allowed Staff to increase the amount of funding the Town could use from “Capital from Operating” to fund these projects by a modest amount compared to the previous model.
- The debt ratio ranges in this model is from 9.45% to 16.5%, which is consistent with the previous model for the most part.
- Besides the assumed funding from the Federal and Provincial governments for the Recreation Complex, the model does not assume the Town will receive any funding for other future projects that we will be eligible to apply for.
- Revenue from potential sales of Town assets are not included in this plan. (i.e. Old Public Works site; FCRS; etc)

## Decisions and Items for Considerations

As part of this annual review process, there are a number of items that Council should discuss to determine if they are satisfied with the overall proposed plan. While changes can be made during the annual budget process, this is a good opportunity for Council to set the direction for the long range plans of the organization.

There are a number of items that Council may want to provide staff with further direction due to the fact Council may have discussed those issues at a previous Council meeting or there is a new item Council wants to discuss. Below are some items for Council’s consideration:

Project	Question/Consideration
Bridgedale Boulevard - 2021	<ul style="list-style-type: none"> <li>• Do you support the proposed idea that the road be built to have a connection to Runnymede or do you want it to remain a smaller budgeted amount used to create a road to link to the future Recreation Complex?</li> <li>• The plan currently contemplates this project occurring in 2021. Would Council want to consider moving this project forward and doing it in 2020? If so, a decision needs to be made so that the Engineering Team would have enough time to plan for that project. Council could contemplate making this adjustment if it felt the road could elevate traffic issues with the causeway closure. There has been no traffic study completed to tell us if it would have an impact or not. So there is no evidence we can point to that says it will have an impact, however some people could assume if there was another route out of East Riverview it could elevate some of the traffic congestion. There are no signs today that we would get Federal or Provincial support for this project.</li> </ul>
Pinewood/Pine Glen Roundabout - 2021	<ul style="list-style-type: none"> <li>• The Town continues to plan for this project, however there have been previous debates in Council about whether the majority of Council wanted to proceed with that project. And the comment was always made we will</li> </ul>

	<p>keep moving forward and that discussion will come up later. It may be time to establish firmly whether this is a project Council wants to proceed with?</p> <ul style="list-style-type: none"> <li>• Furthermore, if the decision is to proceed with this project, does Council want to wait until 2021 or do it earlier or defer it more?</li> </ul>
Sidewalk Installation on Irving and Sussex	<ul style="list-style-type: none"> <li>• Engineering has identified sidewalk installation on Irving and Sussex as a priority over the next few years. \$700,000 will be spent on sidewalks over the next five years. Sidewalk installation is consistent with the objectives of active transportation, but on the other hand they increase maintenance costs (in particular snow clearing.) The Traffic Committee supports the installation of the sidewalks and these locations are consistent with the criteria for sidewalk installations. Are these aligned to Council's priorities?</li> </ul>
Riverview Recreation Complex	<ul style="list-style-type: none"> <li>• This project is still planned for construction in 2022 and 2023. The Fundraising Steering committee is very active at this time and Colliers and the architecture firm will soon be working on the technical and programming details. This meeting will be another opportunity for Council to discuss this project and ensure that it is satisfied with the direction of the project and the scope of its budget at this time. The Technical and Programming review being completed will also be valuable to confirm anticipated operating budget increases because of this new facility. The current ten year model assumes a \$700,000 increase to operating expenses because of the facility.</li> </ul>
Tax rate in relation to assessment growth	<ul style="list-style-type: none"> <li>• Does Council want to consider establishing a policy/guideline that indicates that if the actual assessment growth in one year is higher than what is projected in the model, that the automatic decision is for staff to be directed to remove the proposed tax rate increase if that has been projected? Dieppe established a very similar practice in recent years. Or would Council simply want to wait and debate that at budget time.</li> </ul>
Level of Debt and Borrowing	<ul style="list-style-type: none"> <li>• While overall this ten year plan has reduced the Town's plans to borrow compared to earlier versions, Council should consider every year whether its projected plan to rely on borrowing in its model is the direction Council wants to go in. This plan assumes the Town will borrow funds every year. While the debt ratio remains in range with the target Council set previously (16%), this is high for Provincial comparisons. Recently the Auditor General expressed concerns about the level of debt of municipalities in NB.</li> </ul>

## Utility Capital Budget

Overall the utility capital budget is very consistent with the previous version that was presented to Council. The main focus continues to be addressing watermain renewal projects as the top priority. The Gas Tax Fund continues to be allocated to the utility capital budget to support the watermain renewal projects and to avoid borrowing funds in the Utility Budget. The only notable change in the utility capital budget is the utility related costs for Bridgedale Boulevard had to be increased based on the increased scope of that project. The details of the Utility Capital budget are part of the separate attachment to this document.