

Town of Riverview

COUNCIL REPORT FORM



Presented to: Mayor and Town Council

Presented by: Colin Smith, CAO

Date: September 23, 2019

Subject: Budget Planning for 2020 – Reviewing Preliminary Budget Parameters

BACKGROUND

While the preliminary 2020 Operating and Capital budgets for the General and Utility Funds will be formally presented to Council in November, similar to last year, Town Management wanted to discuss the preliminary budget parameters with Council before the budget process was in full swing. During the past four years, the budget parameters have been discussed with Council prior to management finalizing the draft budget to ensure we are aligned with Council's overall objectives and goals for the upcoming budget.

The approach to the budget development and public discussions with Council will be designed similar to last year's process as Council indicated that it was satisfied with the budget process during the last few years. If Council would like to see changes to the budget process in the future they can provide that feedback to the CAO and/or Director of Finance. Council will receive their budget packages the week before the budget sessions scheduled for November 20 and 23.

With Council's commitment to review and update the Town's Ten Year Capital and Finance Plan annually, the parameters for the annual budget process are well established and understood by members of Council and the public. With the 10 year plan, Council established a clear direction on what:

- their capital budget priorities are;
- level of overall expenditure growth that they want to limit the operating budget to;
- level of tax and revenue growth it is prepared to consider; etc.

Council reviewed and endorsed the updated ten year plan in June 2019.

The following are the key parameters that Council endorsed in the Ten year plan that impact how the operating budgets are constructed:

- The ten year plan established an assumption for assessment base growth (2%) for 2020. That assumption is based on the fact that 2019 has been a strong year for building permits as well as the housing market has rebounded during the past year. The Town is projecting a slightly higher growth level than it experienced last year (1.71%).

- The unconditional grant is assumed to be \$2.5 million for planning purposes. This amount is slightly below what was received in 2019, with the assumption that if assessment growth is stronger that our unconditional grant will decline.
- The ten year model assumes no tax rate increase for next year.
- The overall operating budget expense budgets are projected to increase by 2.0% to address inflationary increases.
- Town Council has an established Strategic Plan for 2016 to 2020 that will guide decisions.
- The Town will continue to transfer some funds into an operational reserves as it did last year, so that funds have been set aside to minimize the impact of the increased operating costs because of the new Codiak RCMP facility.
- Over \$1 million will be transferred to capital reserves to set aside funds for future significant capital projects in the ten year plan.
- The Town continues to move forward with the Recreation Complex Project and operating funds will need to be allocated to support those efforts into 2020.

During the discussion on September 23, Council will need to indicate if any of their strategic and/or operational priorities have not been clearly stated and factored into the forecasting for the 2020 preliminary budget. If there are budget items, which staff are not aware of, the Committee of the Whole meeting is the opportunity to bring those items forward.

There are some challenges and issues that will need to be discussed and addressed during the budget process as well:

- As the Town continues to plan for significant additional costs because of the new RCMP station in a few years, we are also facing with continued large increases in RCMP service costs as that operating budget is currently projected to increase by over 5% and is expected to continue on that trend for a number of years. While the number of service calls are declining in Riverview, we are experiencing increased costs while residents are concerned that we do not receive services in Riverview because of the perceived lack of presence of the RCMP in our community. If the trend of increasing costs for public safety services continues, there will be limited to no funding available for new programs and other services and existing programs may need to be reduced to offset this growth in costs.
- A number of the various departments' operational accounts are exceeding the budgeted amount on a regular basis. In particular accounts such as winter salt; vehicle maintenance in all departments; and facilities maintenance in most departments have overages that are impacting the overall budget's ability to remain in a surplus situation. A deeper analysis of actual anticipated expenses and planned budget need to be reconciled in the 2020 budget process.
- As the Town continues to add additional amenities in the community such as additional trails in Mill Creek; additional streets to maintain and manage; programs and services; etc. the operations of the Town are reaching its breaking point as there has been limited expansion of the workforce over that time period. Operationally the Town has been doing more with the same resources over the past few years. That is a pressure point that needs to be monitored and may need to be addressed in the 2020 budget. This issue is not only with our ability to deliver services but it is the stress and strain that is being placed on the workforce doing the work.

- As the Town continues to increase its use and reliance on technology to deliver services to the public and implement operational improvements, the Town will need to evaluate its current approach to delivering information technology support services in the organization and whether internal expertise is required.

Senior Management will work together to deliver an overall budget plan that is in line with the budget parameters that have been established. As part of this budget process, the directors will be required to work as a group to attempt to find solutions to address the operational budget challenges that have been identified above in this budget memo. If there are budget parameters that have been established by Council that cannot be delivered, it will be senior managements' obligation to identify those issues and bring them forward for discussion with Council when the initial draft budget is presented.

During this year's process, departments are encouraged to implement operational improvements within their budgets if they can identify revenue opportunities to fund those increases or other operational budget reductions to manage those changes.

A draft budget will be presented to Council in November.

CONSIDERATIONS

Legal: - N/A

Financial: - N/A

Policy: - N/A

Stakeholders: - N/A

Strategic Plan: An open and transparent budget process aligns to the overall direction established by the Strategic Plan.

Interdepartmental Consultation: - N/A

Communication Plan: Not required at this time.

RECOMMENDATION FROM STAFF

That Riverview Town Council endorse the proposed budget parameters for the preliminary 2020 capital and operating budgets for the General and Utility Funds, including the proposed assumptions and parameters for revenue and expenses.