

# Town of Riverview

## COUNCIL REPORT FORM



Presented to: Mayor and Town Council

Presented by: Colin Smith, CAO & Robert Higson, Director Finance

Date: September 26, 2022

Subject: Budget Planning for 2023 – Reviewing Preliminary Budget Parameters

---

### **BACKGROUND**

While the preliminary 2023 Operating and Capital budgets for the General and Utility Funds will be formally presented to Council in November, like the last several years, Town Management wanted to discuss the preliminary budget parameters with Council before the budget process was in full swing. Historically, the budget parameters are 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.

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 existing Ten-Year Plan, Council established a clear direction on what:

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

Council has had an opportunity to review the ten-year capital plan in 2022. In fact, the updated plan including parameters has been prepared by staff and that plan is included separately on this COW meeting agenda. The parameters of that ten-year plan are already factored into the plans for 2023 budget.

### **Summary of Key Parameters:**

#### ***Overall Property Assessment Base***

The Province has not yet provided the Town with its assessment base total for 2023 but we expect to receive those numbers by October 15, 2022. All indications are that the housing market has had another strong year in 2022 and that should be reflected in changes to the overall base. New construction has been strong in 2022 as well, although not at the same level as our record year in 2021.

- As a starting point, Town staff are recommending that we assume the assessment base will grow by 6% in 2023 as per the ten-year capital plan.

### ***Inflation – Operating Expenses***

In 2022, the Town, like all organizations and residents, faced significant budgetary challenges because of inflation. We saw projections 15% to 20% higher than budgeted on a number of capital projects, with many of our operating expenses experiencing significant inflationary pressures (i.e. fuel and maintenance costs most notably). In 2022, the Town was required to cut spending and reduce programming to try and balance the overall budget.

The Town will need to adjust the general operating budget to reflect the annualized impact of the current inflationary trends. For planning purposes, if the Town assumed all of its Administration; Fire and Rescue; Parks; Recreation and Community Relations; and Engineering & Public Works budgets would increase by 5% next year, this would mean an additional \$1.0 million would need to be added to the budget. The anticipation is that during this year’s budget process program cuts and reductions will need to be made permanently to cover increased costs for core services that cannot be reduced (i.e., snow removal; road maintenance; facilities operations; etc.).

- Operational expense budget projected to increase by 5%.

### ***RCMP Budget Increases***

There has already been significant public discussion about the desires of the Codiac RCMP Board for a substantial budget increase to hire more Police Officers and Staff to address public safety and police presence concerns in Greater Moncton. Town staff have seen various proposals that will see the Town’s share of the Codiac RCMP budget increase between \$600,000 to up to \$1.2 million. However, to date, there has been limited details shared on the additional and improved services our residents will see and the anticipated positive changes in police metrics that will occur. For example, how many community visits/activities will we see in Riverview because of these new community police officers; or how will these resources make Riverview residents feel safer because they see/experience a larger police presence. The Town’s share of the overall RCMP budget is under 11%, therefore, this represents a significant expansion on spending on police services for our region.

- Staff are starting the planning process assuming that an increase of at least \$600,000 will be going to the RCMP budget.

### ***Mandated Regional Services – Local Government Reform Process***

The Regional Service Commission and the Transition Coordinator presented the 2023 draft budget to the CAOs and CFOs of the municipalities in August. The Province’s Local Government Reform process has established new mandate regional services that all municipalities need to cost share and of note for the 2023 budget process, the Service Commission’s budget will be approved to the Province by the Local Government Reform Transition Coordinators. The budget presentations to both the staff and the Regional Commission’s board were for feedback, but ultimate approval rests with the transition

coordinators and the Province. Those services include economic development; tourism promotion; regional transportation; community development; and recreational infrastructure cost sharing requirements. The preliminary budget impact to Riverview in 2023 is close to \$200,000. While the Town will see these new costs being added to our budget (at over a cent on our tax rate), the Commission is taking a reasonable approach by starting small and developing plans and strategies for these new services. After the strategy is established, a full operational plan and budgets will be presented for 2024. So, the new expenses to the Town in 2023 are really to start the development of these services.

### ***Equalization Grant***

As part of the Government of New Brunswick's local government reform process they have committed to reviewing and updating the local government equalization formula and have established an external panel to complete that work. Depending on what direction this panel goes in it could have a noticeable impact on the Town. As we experienced last year, the current grant is very unpredictable as the Town lost over \$1.1 million in revenue from this source. Early indications are that the Town may need to prepare for receiving less funding from this source in 2023 as well. To initiate our planning process staff are assuming the Town would lose around \$300,000 in revenue from this source. Furthermore, if our assessment growth is higher than 6% and better than other municipalities in NB it is anticipated we would lose more funding in equalization. The increase in assessment could be offset by a decrease in equalization.

- \$300,000 reduction in the grant.

### ***Ten-year Capital Plan Parameters***

Staff have adjusted the proposed 2023 budget to reflect the plan established in the ten-year capital plan. The budgeted amounts for Capital from Operating; Debt Servicing Costs; and Capital Reserves were updated to align with the ten-year plan.

### ***Preliminary Tax Rate Projections***

It is clear that at the start of the budget process Town Council and staff may have to make some tough decisions during this budget process. Preliminary estimates indicate that if the draft budget were to simply cover the inflationary costs noted, the increases because of the RCMP, and the mandatory regional services, overall assessment growth would have to be in the range of 7.5% to 8.5%. While the housing market has had another strong year it may be challenging to see that same level of assessment growth as last year.

Therefore, Town staff will start the budget process assuming that the tax rate for 2023 remain the same as 2022 with no increase or decrease. If all the above projections are correct, staff will need to provide Council a budget that will result in service reductions and operational budget cuts to stay within these parameters. Staff will keep Council updated as we learn more specifics on the major budget parameters of assessment based and equalization grant. We have been informed that all municipalities will receive those numbers from the Department of Environment and Local Government by October 15.

### **Other Factors may need to be included into 2023 budget**

- Council has had preliminary discussions this year about increasing funding to the Parks and Recreation Department for the Town's 50<sup>th</sup> Anniversary. Preliminary discussions have been in the range of \$50,000 to \$150,000. Those costs will need to be factored into the plan.
- Council had some preliminary discussions regarding acquiring more land around Mill Creek Park if the Master Plan determined more land for the future of the park was required. That would have an impact in 2023 if that decision is made.
- There have been discussions amongst the three communities in Greater Moncton regarding the issue of homelessness and affordable housing that may result in additional costs to the Town that have not been factored into our preliminary planning.

**If there are additional operating budget priorities that Council would like to see included in the draft budget planning this is an opportunity for Council to identify those initiatives and give staff directions to include them in the plan.**

The Utility Budget will face significant challenges in 2023 as there are a number of operating costs seeing sizable inflationary increases. Furthermore, there will be additional budget pressures from Trans Aqua's budget and there are indications that meter costs for water from Moncton will be on the rise next year per the terms of our agreement. Staff are anticipating that rates cannot be frozen like last year, but staff will work to deliver a budget that limits the rate growth.

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 service reductions or budget cuts that need to be implemented, senior management will be accountable for identifying those options and explain the rationale for why they are being proposed.

Similar to previous years, and to some degree more important this year, the 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.

Council will receive their budget packages on Thursday, November 4th before the budget deliberation sessions scheduled for Tuesday, November 9th and Saturday, November 12th.

### **CONSIDERATIONS**

Legal: - N/A

Financial: - N/A

Policy: - N/A

Stakeholders: - N/A

Strategic Plan: An open and transparent budget process aligns with 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 2023 Capital and Operating budgets for the General and Utility Funds, including the proposed assumptions and parameters for revenue and expenses.**