

Town of Riverview

COUNCIL REPORT FORM



Presented to: Mayor and Town Council

Presented by: Colin Smith, CAO

Date: September 2017

Agenda Item: 7a.3

Meeting Date: COW 09/25/2017

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Subject: Budget Planning for 2018 – Reviewing Preliminary Budget Parameters

BACKGROUND

Budget season is upon us again. While the preliminary 2018 Operating and Capital budgets for the General and Utility Funds will be presented to Council in November for budget deliberations, 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 two 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 there was general satisfaction with how the budget process worked last year. Council will receive their budget packages the week before the budget sessions scheduled for November 23 and 25.

There are a number of factors that help determine the focus of the annual budget. Part of the budget parameters are established by Council's past decisions and future priorities, while other factors are external to the organization that the Town does not influence. As part of this discussion on budget parameters Council must assess these factors to determine if they are still validated, what has changed, what new priorities have arisen, what priorities are no longer affordable or attainable at this time etc. Current influence factors include:

Defined by Council:

- Town Council has already reviewed and endorsed the 10 year capital budget plan.
- Town Council has an established Strategic Plan for 2016 to 2020 that will guide decisions.
- January 1, 2018 is year one of a new 15 year Water agreement with Moncton that will have an impact on the water rates for residents.
- Town Council has identified the Lion's Pool project as a priority for discussion in the 2018 budget process.

External Factors:

- The Town's property tax assessment based is expected to remain flat or decline next year due to the Province's freeze on property tax assessments.
- What will happen to the Town's unconditional grant this year? It has been unpredictable in the past. And the Province has not indicated what impact its decision on property assessments will have on the unconditional grant.
- The number and value of building permits in 2017 are positive but below the Town's historical ten year average. How much of those building permits will be translated into additional property tax revenue in 2018?
- The proposed new RCMP Headquarters for the Codiac detachment is going to be built by 2020, and Riverview's share of operating costs for that building are going to significantly increase. Do we wait until the 2020 budget to address that impact or do we start phasing in that increase over time?
- Residents have indicated through a Citizens Survey that they are satisfied with the services provided by the Town today.

Preliminary budget parameters established at the start of the budget process could include, but are not limited to: the proposed tax rate, debt ratio, capital from operating and transfer to reserves, etc. Council can change these parameters throughout the budget process, however establishing those early in the process provide staff a general guide on how to develop the Town's overall budget plan. The following section summarizes the budget direction the Directors will receive if this approach is approved by Council.

2018 Budget Parameters – Direction to Senior Management

*To start the 2018 operating budget process, a number of guiding budget parameters and assumptions have been established for the initial draft of the 2018 budget. **Council can make the decision to change these parameters during the discussion on September 25, 2017 or during the phases of this budget process.** Those assumptions include:*

Revenue Assumptions:

- *With the Province of New Brunswick's decision to freeze assessments, the Town will assume that the overall assessment tax base will not increase in 2018. While the Town will see an increase in assessments because of new construction that will be offset by the declines in existing assessment of homes and commercial properties whose assessment will be reduced by Service NB. The estimated impact of the Province's decision to freeze tax assessment for 2018 is about \$300,000 to the Town of Riverview or 2 cents on the tax rate.*
- *Assume that the Town's unconditional grant will remain flat to the 2016 budget.*
- *In preliminary planning for this budget the Town will include a 1 cent increase to the tax rate to help partial offset the decline in revenue associated with the Provincial Government's decision on freezing assessment. Furthermore, the ten year capital plan for the Town forecasts notable increases in the*

tax rate due to our capital project commitments and the growth in operating expenses, so to avoid making sizable adjustments in the future this will allow the Town to gradually increase its tax rate.

Expenditure Assumptions:

- *Salary and Benefits Budgets will be increased to cover contract settlements for bargaining employees and a market adjustment for non-bargaining per the Competitive Pay Policy.*
- *Funds have been allocated to attempt to settle negotiation contracts with both union groups.*
- *Performance of pension plan has improved which means the Town no longer needs to make special payments which has reduced the Town's benefits expenses. That has helped offset the anticipated annual salary increases and natural inflation of operating expenses.*
- *\$250,000 to be allocated to the capital reserve (earmarked for Wellness Centre).*
- *We have not received the RCMP budget figures this year but traditionally that budget increases by 2 to 3% a year.*
- *The Town will continue its commitment of making balloon debt payments on its previous debt.*
- *The Capital from Operating Budget will be set at \$3.0 million. This allocation is in line with the 10 year capital plan.*
- *The debt ratio will be in the range of 14% over the 10 year capital plan, which reflects a lower percentage compared to last year's budget. That is a result of the scope change and projected federal and provincial funding for the future Wellness Centre.*

Changes during the year - 2017

- *The Byron Dobson Arena project started in 2017 with available funds in the Town's reserve, and a key element of that project must be addressed in 2018 (ice slab and new boards) and \$1.5 million has been allocated in the capital budget to address that.*
- *The Town hopes to work with the Province to address the Gunningsville Bridge/Coverdale intersection to improve traffic flow in that area, \$800,000 of Town funds are being ear marked for that project.*
- *Council indicated that the Lion's Pool Project was a priority for the 2018 Budget. Based on Council passing that resolution, staff has added \$1.3 million to the budget to reflect the anticipated costs for that project.*

With limited growth in revenue forecasted for 2018 and operating expenses increasing, setting priorities and making clear choices during the budget process will be critical. In particular the Town's 10 year capital plan has a lot of long term commitments, and there are new capital items appearing every year that are more immediate priority. Therefore, Council will have to have a real commitment to reviewing its Capital plans for the next few years to ensure they are realistic and affordable with in this low growth environment that we have entered into.

Therefore, to start the budget planning process, all departments are directed to prepare their 2018 non salary budgets flat to the 2017 budget level. The budget environment has been tough over the past few years and overall core departmental operating expenses have remained flat since 2015. Any growth in operating expenses in the last two years has been focused on new initiatives and priorities (or funding for the RCMP). For the most part core operational funding for departments has declined as last year's preliminary budget direction was to reduce operating expense by 4%. Therefore, the

direction to start the budget this year is to have the departmental operating budgets (non-salary and benefits accounts) be flat to 2017 level and to discuss the service impacts of this budget direction with Council in November. It is anticipated there will be a decline in services required to adhere to this budget plan.

A key expectation of departments is that they implement operational improvements within existing budgets to contain the growth of operating expenses in the future. The departments will continue to focus on how they can be more efficient with the resources they have in place. With limited to no growth in the assessment base projected at this time, the philosophy of continuing to grow our expenditures and adding more programs and initiatives because that is what residents are demanding cannot continue in the future. Decisions made in the 2018 budget process should be focused on what operational improvements can be made to improve and streamline our program and services. One cannot have the view that we need to continue meeting the growing and shifting expectations of residents and users.

Capital Budget Parameters

Council reviewed and endorsed the 10 year capital budget plan in 2015, 2016 & 2017. The 2018 Capital Budget Submissions are to be aligned with the established priorities in the 10 year capital plan.

Directors are asked to identify and explain any changes or adjustments to their Department's capital budget compared to what was included in the 10 year plan. Directors should be removing capital project proposals that are not in line with the strategic direction of Council and are projects that may be considered "nice to have projects" when we consider the current fiscal challenges.

This year, Directors also need to consider the scale and size of their department's capital budgets with the perspective of can all those capital projects be executed with the existing employee resources and maintain operational services. As the earlier points note with regards to our Operating budget, there will not be new resources/employees added to help manage the operational activities and additional work because of the capital projects. As CAO, I am of the opinion that the Town needs to focus on the projects that move the Town forward and that we can execute with the resources we have in place. We do not have the resources and the growth levels in revenue to continue to execute on initiatives that meet the growing and varying demands for infrastructure and services in the community.

Next Step in the Budget Process

Departments will begin to prepare their budgets based on the direction they receive. The Directors will debate and discuss all potential amendments to those budgets, which will eventually result in a proposed budget being presented to Council at the end of November. At that time, Council will be given a full overview of the budgets and will be able to debate, discuss, and make adjustments as it works towards finalizing and approving the 2018 budget in December.

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 2018 capital and operating budgets for the General and Utility Funds, including the proposed assumptions and parameters for revenue and expenses.