

# Town of Riverview

## COUNCIL REPORT FORM



Presented to: Mayor and Town Council

Presented by: Shannon Parlee, Director of Finance & Information Technology and Colin Smith, CAO

Date: September 25, 2023

Subject: Budget Planning for 2024 – Reviewing Preliminary Budget Parameters

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### **BACKGROUND**

While the preliminary 2024 Operating and Capital budgets for the General and Utility Funds will be formally presented to Council in November, like the past several years, Town Management will discuss the preliminary budget parameters with Council ahead of the formal budget process.

Discussing the budget parameters with Council prior to management finalizing the draft budget ensures staff is 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 2023 at the Regular Council Meeting held on August 14, 2023. The updated ten-year plan as well as the long-range capital plan were items on that agenda. The updated plan included parameters prepared by staff which was endorsed by Council at that meeting; the parameters of that ten-year plan are already factored into the plans for 2024 budget.

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

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

The Province has not yet provided the Town with its assessment base total for 2024, but staff expect to receive those numbers by mid-October. Indications point towards another strong year in 2023 and that

should be reflected in changes to the overall base. At this point, we cannot say in full confidence what the growth will be, therefore in keeping with past approaches, we are using a conservative estimate for the budget.

- As a starting point, Town staff are recommending that we assume the assessment base will grow by 3% in 2024 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, which required cuts to spending and reduced programming to try to balance the overall budget. Although we can still feel the impacts of inflation in 2023, we are not seeing significant market driven variances from budget as we did in 2022.

For 2024, the Town will adjust the general operating budget to reflect the annualized impact of the current inflationary trends. For planning purposes, as a general rule of thumb, the Ten-Year plan assumed all of its Administration; Fire and Rescue; Parks, Recreation and Community Relations; and Engineering & Public Works budgets will increase by 3% next year.

- Operational expense budget projected to increase by 3%.

### ***Equalization Grant***

As part of the Government of New Brunswick's local government reform process they committed to reviewing and updating the local government equalization formula and 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.

In 2022, it was shocking when the Town lost over \$1.1 million in revenue from this source, showing how unpredictable the formula has been. In 2023, the amount was further reduced by about \$150,000. It is uncertain what will occur for 2024, but staff will assume that the trend downward continues given our continued growth in our assessment base. To initiate our planning process, staff are assuming the Town will lose around \$150,000 in revenue from this source. Furthermore, if our assessment growth is higher than 3% and better than other municipalities in New Brunswick, it is anticipated we would lose more equalization funding. However, the increase in assessment would likely offset any decrease in the equalization grant.

- \$150,000 reduction in the equalization grant.

### ***Ten-Year Capital Plan Parameters***

Staff have adjusted the proposed 2024 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. Staff have also factored in approved government funding,

namely, the *Riverview Recreation Complex* and the *Infrastructure Renewal Project*, both of which are key sources of financing for the Town's capital projects.

### **Preliminary Tax Rate Projections**

The ten-year plan presented to council in August detailed the tax rate will remain flat for the first few years, then will increase by an average of less than one cent per year there forward. There will still be some decisions Council will need to make to allow the Town to maintain current service level standards, and facilitate growth; and thus, a sustainable forward-thinking plan is required. These decisions will support the Town's Strategic Plan. Every dollar gained or lost today impacts a dollar tomorrow. There has been a large influx of population in the Greater Moncton Area, which will require more demand on the Town, including staffing, transportation, and capital investments. This will require decisions by Council in thinking about current residents but also future demand. The outstanding items noted below will need to be considered into the plan.

As noted, as of now, we are incorporating a 3% increase in the assessment base, which will most likely come in higher. Once we have that information, Council will then be able to better direct staff management on how to allocate and use those funds.

While the housing market has had another strong year, it may be challenging to see that same level of assessment growth we experienced last year and possibly this year. Historically, there have been some very challenging times in the past where growth was pretty stagnant at less than 1%, which posed challenges for the Town. Therefore, the Town's plans must balance itself on being sustainable knowing prices will continue to rise, and the area will likely continue to grow.

Town staff will start the budget process assuming that the tax rate for 2024 will remain the same as 2023 with no increase or decrease. Staff will keep Council updated as we learn more specifics on the major budget parameters of assessment base and the equalization grant.

### **Other Factors to consider for the 2024 Budget:**

- 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 have not been factored into our preliminary planning.
- The Ten-Year plan has projections using 3% for most operating expenditures, however, actual costs will likely not come in at a uniform 3% and be higher based on current market conditions and considering some contracts are still playing "catch up" from last year.
- The Ten-Year plan previously presented covered 2023-2032, however, we are now in the ten-year range of 2024-2033, therefore there will be capital projects in 2033 to consider during budget deliberations. For example, there is a facility at Mill Creek approved as part of the masterplan that had a total cost of \$3.2 million over 2033-2034.
- There will be other projects to consider that are not currently in the Ten-Year Capital Plan until further assessments are completed and options reviewed with Council. Items such as plans with Biggs Drive and plans with Town assets, including, the Coverdale Recreation Center, the

Community Hall and Skate Park, and the Parks and Recreation Administration Building. Council will need to consider necessary repairs to maintain and/or improve these buildings or consider divesting some buildings that Council sees no future value in that would justify further investment. Council will need to provide formal direction at some point when the recommendations are made by staff.

- Any requests brought forward by directors/staff for unexpected repairs and maintenance needed to maintain operations between now and budget deliberation time.
- The request from the Moncton Hospital Foundation for a donation of \$200,000 that council has deferred until the 2024 budget process. We will not be including that sum in the budget until Council provides staff with formal direction.
- Projects that have been brought forward that Council has not given staff formal direction on, such as requests from the Pickleball Association (\$300k) and an Artificial Turf (\$2.0 million).
- Any staffing requests needed for 2024 that have not yet been formally included in the budget.
- Any unforeseen/surprises to year-end that may require Council and staff attention that come up prior to the budget deliberation process.
- Population growth has led to an increased demand on bus transportation for the Town making it evident that we need to consider adding/changing routes and adding an additional bus to our ten-year plan.
- The electric vehicle fleet and charging station strategy report planning has been deferred with a 2024 consulting review being done. Future direction resulting from consultant review will require Council's direction.

**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 proposes a flat rate on water and sewer rates for both residential and commercial users. There will be inflationary increases to consider that will be factored into the budget, however, given *the Infrastructure Renewal Program*, those funds have allowed the Town to not anticipate needing to increase the rates or borrow funds over the next few years.

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 work as a group to review and finalize the budgets to present to Council for deliberation.

As in previous years, the departments are encouraged to implement operational improvements within their budgets that support the Town's Strategic Plan. They will be encouraged to identify revenue opportunities to fund those increases or other operational budget reductions to manage those changes.

Council will receive their budget packages by end of day Friday, October 27<sup>th</sup> ahead of the budget deliberation sessions scheduled for Wednesday, November 1<sup>st</sup> and (if necessary) Saturday, November 4<sup>th</sup>. The final approval is scheduled at the RCM on November 14<sup>th</sup>, 2023.

## **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 2024 Capital and Operating budgets for the General and Utility Funds, including the proposed assumptions and parameters for revenue and expenses.**