

Town of Riverview

COUNCIL REPORT FORM



Presented to: Mayor and Town Council

Presented by: Colin Smith, CAO

Date: November 23, 2017

Agenda Item: 4.a

Meeting Date: 23/11/2017

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Subject: Proposed Budgets – General /Utilities Operating and Capital Budgets

BACKGROUND

Attached is the proposed General and Utility Operating budgets as well as the General and Utility Capital draft budgets for 2018. The Town has scheduled two full days for Town Council to review, discuss and debate the proposed budgets in advance of receiving formal approval in December before the beginning of the fiscal year. As has been discussed before, additional days will be added as well if Council requires further time to discuss the budget details.

There has been a significant amount of work that has already gone into developing this year's preliminary budgets. Senior Management and staff have dedicated a number of hours developing these proposed budgets to align with the Town's budget objectives and to meet the expectations and objectives of Town Council and residents. The proposed budgets that has been developed is in line with the budget parameters that were reviewed and endorsed by Council in September.

As Council is fully aware there are a number of factors that help determine and establish the focus of the Town's annual budget. Some factors are internally influenced by Council while there are a number of external factors that influence the budget as well. Below is a summary of those factors.

- 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.
- The Town's property tax assessment based will be flat due to the Province's freeze tax assessment freeze.
- 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.

2018 Budget Parameters to start building the Budget

To start the 2018 operating budget process, a number of guiding budget parameters and assumptions were established for the initial draft of the 2018 budget. Those items included:

Revenue Assumptions:

- As directed by Council the tax rate was unchanged at 1.5826 per \$100 of assessment.
- 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.
- The Town's unconditional grant will remain flat to the 2017 budget.

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 the pension plan has improved which means the Town no longer needs to make special payments which has reduced the Town's benefits expense. That has helped offset the anticipated annual salary increases and natural inflation of operating expenses.
- 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 presentation of the 10 year capital plan.

Therefore, to start the budget planning process, all departments were 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.

Overall the organization has been able to deliver a budget package that delivers to Council's objectives. Some modifications to capital and operating budgets were made to deliver to these parameters and

Council will have an opportunity to discuss these items and others during the process and may make further modifications as it sees fit to deliver a final approved budget that they are satisfied with. The attached budget binder provides an overview of what has been included in the general and utilities capital and operating budgets and what significant changes have been made since last year. Council will have an opportunity to discuss all components of the budgets during the Town's budget process.

Council needs to be aware that the Town's long term capital plan is an area that will require significant attention from Council moving forward. Due to the limited assessment growth over the past few years, and if that trend is to continue into the future it is clear that the Town cannot sustain the level of spending proposed in its ten year capital plan. Choices or further budget parameters will have to be established to help Council and staff determine what projects must be in the Town's ten year plan and what projects must be removed; or what projects can only be considered when the appropriate level of growth and development occurs in the community.

The budget presentation to Council will be led by the Director of Finance and all departmental directors will be available to answer Council's questions and inquiries.

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

Town Council to approve the 2017 General Operating budget; Utilities Fund budget and Capital budgets.



BUDGET AND SERVICE OVERVIEW

2018 Budget Process

COUNCIL BUDGET DELIBERATIONS
November 23 and 25, 2017



Contents

Overview of Budget	2
General Operating Fund	2
Wellness Centre – Planning for the Future	3
Grants Budget	5
Employee/FTE Count.....	5
Tax Rate – Comparison	6
Capital Budget.....	7
Changes made to 2018 Capital Budget and Long Term Capital Plan.....	9
Long Term Capital Priorities and Impact on Future Property Tax Rates and Debt Ratios.....	10
Utility Budget	13

Overview of Budget

Council will be discussing and debating the proposed 2018 budgets on November 23 and 25 during their public deliberations. The budget is still draft at this time and Council may make a number of amendments before it is finalized. The current date for final review and approval of the Town's General Operating Fund; Utility Operating Fund; and their associated Capital budgets is scheduled for December 11, 2017. This document provides a summary of the key budget items and issues included in the Town's 2018 proposed General Operating Fund; Utility Operating Fund; and Capital budgets.

General Operating Fund

Highlights of the proposed budget before Council include:

- The property tax rate remains at 1.5826 per \$100 of assessment per the direction received from Council during the Budget parameters discussion that occurred in September 2017.
- Total budget of \$28.06 million. 2017 Total budget was \$28.07 million.
- The proposed budget is projecting that the Town's overall tax assessment base will be flat to 2017 level. The main reason for this prediction is the Province's decision to freeze property tax increases and to only adjust existing property tax assessments when Service NB has lowered the assessment on a property. While the Town has had a positive building permit season, the expected new tax assessment growth associated with the new construction will not offset the decline associated with properties whose assessment has been lowered.
- The unconditional grant is still an unknown at this point, therefore staff have left it unchanged for the budget. This is the biggest wildcard that remains outstanding in this budget process and it could swing either way.
- The salary and wages budgets were adjusted to reflect contractual arrangements; additional funds were included for the ongoing tentatively negotiated non-wage related proposals; and salary adjustments per the non-bargaining competitive pay policy.
- The performance of our pension plan has improved, which means the Town no longer needs to make special payments. This has reduced the Town's benefits expenses, which has helped offset inflationary expenses including annual salary increases and other operating expenses such as street lighting; garbage contracts; NB Power costs; etc.
- The proposed budget includes the reallocation of the annual \$250,000 that Council has been setting aside in a capital reserve for a future Wellness Centre. These funds will be used to provide funding for a Community led Fundraising Campaign; Project Management support; and the development of technical specifications for the new facility.
- Council agreed that the Town of Riverview was going to participate in the Regional Service Commission's plan to develop a Regional Tourism Destination Marketing Program and had approved a budget allocation of \$21,000 to support that initiative as long as the majority of the other municipalities in the region agreed to participate in this program.
- Due to the assessment freeze; Council's direction to keep the tax rate at the current level; and the priority on capital projects, there were only a few minor changes to the operating budgets.

There were no new items added to the 2018 General Operating Budget (except the Regional Tourism Program). The few changes that were noted for Council were: the facilities management position is now budgeted in the salary and benefits expenses of the Administrative Services Department; the tracking of revenue and expenses for some Aquatic Program changed in the 2018 budget; funding for fire fighter turn out gear was formally budgeted as a capital expense is no recorded in the operating budget; and the EMO budget received a \$10,000 budget to try and increase the Town's accesses to potential Shelters in West Riverview during a major event.

Wellness Centre – Planning for the Future

Riverview Town Council has identified a new multi-use Wellness Centre as a long term strategic priority for the community. A Wellness Centre has been identified as a priority in the Town's strategic plan and the Town has continued to work towards this long term objective including:

- Completing a feasibility study on the concept of a Wellness Centre in 2015, which included engaging community groups and users;
- Identifying Town owned land in the Mill Creek Development area that could be used as a future home for this type of facility;
- A proposed project budget of \$30 million (in 2022 and 2023), in the Town's 10 year capital budget plan, for a future Wellness Centre; including a rink, a new pool, and gym space with a walking track;
- Investing, in 2017, in a Fundraising Analysis to determine the fundraising potential for this project in the community; and
- Allocating \$500,000, by the end of 2017, into a capital reserve for this future project.

While the potential construction of this facility appears to still be a number of years away, there is still a lot of planning and preparatory work required to make this facility a reality. In particular now that the Town has received BNP Philanthropic Performance Atlantic pre-campaign analysis of the fundraising potential of this project, decisions need to be made on what the next steps are.

The purpose of the study was to determine the fundraising potential of \$3.0 million campaign for this facility (10% of the total project).

The four main goals of the Pre-campaign Study was to:

- Evaluate the image and reputation of the Town.
- Determine whether a major fundraising campaign should be undertaken by the Town and what the perceptions are of the proposed initiatives.
- Determine the level of participation among supporters and suggest a stimulating and reasonable financial goal.
- Identify prospective leaders and determine their degree of interest.

A total of 35 interviews were conducted with town officials, citizens and business leaders living or having commercial activities in Riverview. Overall, the report concluded that “there is great interest, amongst those interviewed, for the proposed project” and that the target of \$3.0 million was achievable.

BNP has indicated to the Town that a fundraising campaign of this nature would take 18 to 24 months to fully execute and must be led by Community Leaders. BNP’s success in other communities like Edmundston and Dieppe demonstrates that the only way these campaigns can succeed is if it is led by the community. The municipalities’ role is to provide the financial support to execute on the campaign and to provide the administrative support and management. One of the additional positive things identified in BNP’s analysis is they believe there are leaders in this community prepared to lead this fundraising initiative.

There are a number of items that need to be budgeted for to execute a fundraising campaign of this size:

- Fundraising activities and support for the Community Fundraising Campaign;
- Administrative support within the Town’s administration to support the fundraising campaign and overall project management including the business case development for Federal and Provincial funding requests;
- Federal and Provincial funding requests will require that an economic impact analysis be completed; and
- More detailed functional and technical requirements for a future facility will need to be completed.

To continue moving this project forward and executing all of the interrelated components, it is estimated that the Town will have to budget close to \$500,000 in total over the next two years. Should Council want this project to proceed, the CAO is recommending that as part of the budget approval, Council transfer the \$250,000 it originally planned to set aside for the Wellness Centre in the capital reserves (in both 2018 and 2019) to the Operating Budget and utilize it to provide the funds needed to execute BNP’s plan. If Council approves this budget as proposed, the plan to establish a community led fundraising campaign; and contract a fundraising consultant, would begin to be executed in early 2018.

If Council approves this proposed plan, the risks and opportunities that Council must be aware of are:

- If the campaign is not successful in raising the anticipated fundraising target, the investment of \$500,000 would not provide the anticipated return and will be a loss to the Town and the project may not proceed if the fundraising is not successful. However, the success or failure of the fundraising may help Council determine the Town’s commitment to the project as well;
- The current capital plan for this project is made with the assumption that the Town can receive 1/3 funding for this project from the Federal and Provincial Governments (\$9.0 million each). That was recommended as the higher level government’s contribution to this project in the BNP report. **If the Town does not secure that level of funding the balance of costs would**

fall to the Town to cover and the Town does not have the financial capacity within its current ten year plan to borrow that additional amount;

- The campaign will create expectations for this facility as the fundraising campaign will create more buzz in the community;
- There has been some development interest for Riverview expressed because of the potential Wellness Centre facility, therefore if it does not occur those developments may not materialize. However, at this point none of those plans have been formalized; and
- As the project becomes more of a reality, opponents to the project and its potential costs may begin to come forward in a more significant way.

Grants Budget

Compared to our fellow municipalities in the Greater Moncton area, Riverview has a smaller external agencies, organizations and individual grants budget. Riverview as a community has not historically been a community that allocates a significant portion of its overall operating budget to external grants. Riverview has tended to focus on direct service delivery to its residents, where other municipalities may provide grants to third parties to deliver a service or program within their communities.

Riverview's total grant budget is traditionally around \$250,000 a year. However, after the annual grant allocations to the Boys and Girls Club; Capitol Theatre; and the Riverview Art Centre are removed from consideration, Council only has about \$67,000 to manage the annual grant requests it receives for sponsorships, events, etc. from groups and individuals. Council has established a formal grants policy to govern how it allocates taxpayers dollars to community groups/individuals and has done a good job managing that process over the years. The policy defines the types of request the Town is prepared to support, indicates what criteria it will use to evaluate requests and establishes a limit on how often a group can apply each year and a maximum grant allocation of \$15,000.

This is a growing area of challenge for Council. Last year, Council approved two additional one-time grants to assist the Boys and Girls Club and RAC for specific projects. Furthermore, each year the types, sizes, and requester's expectations have increased on the Town. As an example earlier this year, Council heard two presentations for community groups seeking significant funds outside the scope of its policy and budget. The SCPA is seeking \$100,000 in 2018 and a School Playground Committee was seeking \$75,000 from the Town. Both those requests will be included in the 2018 annual grant application process. Due to our current budget limitations; existing Council priorities; and no set direction from Council on the desire for additional grant funding, the budget does not include any new dollars for the overall grants budget. Direction from Council will be required if the current budget and or policy is going to be amended.

Employee/FTE Count

The following table summarizes the status of Town employees between 2016 and 2018 to provide Council an overview of the notable changes that are being proposed for next year.

Department	Type of Employee	2016	2017	2018	variance	Notes
Administration/ Town Clerk; Bylaw Enforcement	Permanent - non bargaining	3	3.5	4		annualized FTE impact of Facilities Coordinator
	Permanent bargaining	1	1	1		
	sub total	4	4.5	5	0.5	
Finance	Permanent - non bargaining	2	2	2		
	Permanent bargaining	5	5	5		
	sub total	7	7	7	0	
Human Resources	Permanent - non bargaining	2	2	2		
	Term	0.25				
	sub total	2.25	2	2	0	
Economic Development & Communications	Permanent - non bargaining	3	3	3		
	Term					
	sub total	3	3	3	0	
Fire & Rescue	Permanent - non bargaining	3	3	3		The Department also has 29 volunteer fire fighters
	Permanent bargaining	17	17	18		
	sub total	20	20	21	1	
Engineering & Public Works	Permanent - non bargaining	4	4	4		
	Permanent bargaining	25	27	27		
	Terms	2				
	sub total	31	31	31	0	
Parks & Recreation	Permanent - non bargaining	5	6	6		
	Permanent bargaining	23.5	24	24		
	Term					
	sub total	28.5	30	30	0	
Total		95.75	97.5	99	1.5	

Note:

This table does not include the casual employees numbers for Parks and Recreation and Engineering & Public Works Depts.

For comparison interest the City of Moncton has 628 full time employee and the City of Dieppe has 195.

Tax Rate – Comparison

Riverview Town Council has identified maintaining the lowest residential tax rate in the tri-community as a strategic objective and advantage for the community. The table below highlights the Town's tax rate in comparison to Moncton and Dieppe.

	Tax rate	Year
Riverview	1.5826	2017
Moncton	1.6497	2017
Dieppe	1.6195	2017

As a result of strong assessment growth over the past fourteen years, the Town's tax rate has only seen a minor percentage increase since 2003; which is a very impressive result.

Council must also realize their commitment to "maintain" the tax rate comes at a cost. Necessary capital investments in our existing infrastructure and assets are avoided; operational service improvements are not implemented; and no funds are being allocated to reserves to address future capital upgrades and improvements. The projections associated with the Town's current ten year capital budget plan highlight the fact that while avoiding a tax rate increase may not impact the Town in 2018, it will have a significant impact by 2020 and beyond. The competing priorities of ensuring we are investing in maintaining our existing infrastructure and services, investing in new infrastructure designed to promote growth and development, and the desire to maintain the tax rate cannot co-exist. The prioritization of which one of these three competing objectives must be determined by Council.

Capital Budget

The Capital Budget for 2018 is overall consistent with the Ten Year Capital Budget Plan previously approved by Council in May 2015, with some changes as a result of new information and additional considerations for 2018. Naturally every year when the individual budget plan is adopted there are amendments required that result in fine tuning of the long term Capital Budget Plan. The notable items included in the \$9.8 million Capital Budget are:

- In 2018, the Town will continue to address local roads and streets as a key priority of Council and residents.
 - Five streets will be addressed through the Town's local improvement program. Those proposed streets include:
 - Bloor
 - Balmoral
 - Byron
 - Ealey
 - Leonard Loop

Funding for these capital projects appear in both the general capital and utility capital budgets.

- \$795,000 will be invested through the Town's Street Pavement Program on the following streets:
 - Harvey
 - Government
 - Woolridge

- Hawkes
 - Ashburn
 - Wentworth
 - Prescott
 - Olive
 - Fatima
 - Gunningsville Blvd (patch milling)
- \$140,000 will be invested this year in active transportation projects, through a sidewalk on Runnymede Road. This will also help address safety concerns in the neighbourhood.
 - Staff is recommending that \$100,000 be included in the budget to acquire land for the development of a roundabout at the corner of Pine Glen Road and Pinewood. A traffic review of the intersection was done and a single lane roundabout on Pine Glen Rd. at Pinewood intersection will improve traffic flow and safety at that intersection. The current 10 year plan proposes actual construction to occur in 2019. This was a budget item added this year.
 - \$1.6 million has been included in the capital budget for improvements to the Gunningsville Bridge and Coverdale Road intersection to improve traffic flow overall, but also to help alleviate significant traffic congestion anticipated when the Causeway will be closed for up to 6 months in 2020. The capital plan assumes the Province will contribute \$800,000 towards this project. A traffic review of the intersection, recommended that the Town proceed with double left turn lanes east bound and south bound.
 - The capital budget for 2018 includes funding to replace vehicles and equipment in the Public Works Department to continue delivering our services to today's standard. The most significant item is \$530,000 for a new storm sewer cleaner.
 - \$1.7 million will be allocated for Phase 2 of the facility upgrades and improvements to the Byron Dobson arena that were identified in the MCW Maricor Facility Condition Assessment. Phase two includes:
 - Replacing the upper rink floor slab, dasher boards and brine headers as they are operating beyond their anticipated useful life. If the slab is not replaced next year there is a significant risk to the Town's arena business;
 - Continuing the electrical upgrades including LED lighting in the lower rink, LED lighting in the addition, and emergency generator transfer switch; and
 - Continuing the mechanical improvements including replacing the lower rink sprinkler and fire alarm modifications.
 - The Town will continue to invest in the development of the trail network in the Mill Creek Nature Park. \$200,000 will be invested to continue to develop the primary trail network.
 - \$107,000 will be invested in active transportation trail development in the community and will go towards:
 - Ridgeway Park Trail - \$20,000 (Complete 2017 work)
 - Winter Wonderland Park: \$30,000 (Complete 2017 work)

- Sawgrass Drive: \$25,000 (Join to Coverdale Centre)
- Gunningsville to Old Coach: \$32,000 (Link Old Coach to trails)
- \$55,000 has been allocated to replace the roof of the Parks and Recreation Office Building and Studio space. An assessment of the roof was done this year, and it noted a number of areas where water was entering the building and needs to be addressed.
- Over \$500,000 will be invested in the Town's transit service again this year as the Town will have its second new bus in place by February of 2018. The Town is receiving 50% of the funds for this bus through the Federal Government's Transit Infrastructure Fund.
- \$332,000 will be invested in the Fire Department in 2018. \$165,000 is proposed to re-shingle the roof to finish addressing the deficiencies identified in the JOMA Engineering Group's structural review of that building; \$45,000 to replace medical defibrillators that need upgrading; \$64,000 to replace the Deputy Chief's vehicle; and \$45,000 to upgrade and replace radio equipment.

Changes made to 2018 Capital Budget and Long Term Capital Plan

There were a few adjustments and changes that staff made to the 2018 capital budget during our planning discussions. Some of those changes impacted the 10 year plan as well. The main reasons that as CAO I recommended these changes were 1) with our current tax rate objective the affordability of our capital plan requires that we reduce or defer projects starting in 2018; 2) at an operational level the Town could not manage all of the projects proposed for 2018; and 3) certain projects may have required more planning to determine what level of investment the Town wanted to make into that project. Below is a summary of those changes. Council may not agree or support the proposed changes that were made to the Capital Budget and may make decisions during this process to either reverse these changes or make other alternative budget amendments. The following changes were made:

- The original capital budget submission for Engineering included plans for six local improvement projects for a total budget of just over \$3.1 million. Engineering was directed to reduce the number of projects down to five and the annual budget allotment for local improvements to \$2.6 million. In 2018 Devere Road was deferred. The ten year capital plan was also adjusted to reflect an annual capital investment of \$2.6 million for local improvements versus \$3.1 million. This will mean it will take the Town longer to address the backlog of local improvement projects past the ten year timeframe.
- The current estimate to replace and upgrade the Lions' Pool and Building is \$1.3 million. The project was original planned for 2017 with a budget of \$600,000, and Council made a decision to defer discussions on that project due to the increasing costs, until the 2018 budget discussions to determine what direction the Town would take. Council passed a motion indicating that they were prepared to discuss the Lion's pool project in the 2018 budget process and it was to be deemed a priority. The proposed capital budget has been adjusted to defer this project until 2019. The scope of the project has changed to include a new building and splash pad at a budget of \$850,000, therefore reducing the capital budget commitment for this project by \$450,000.
- The original budget submission included \$250,000 in 2018 for an outdoor skate park located at the Youth Centre. That project has been deferred until 2019 for future discussions.

Obviously these budget adjustments were associated with a number of items that were discussed with Council in the past so there may be some desire on Council's part to revisit these specific projects and determine the Town's level of commitment.

Long Term Capital Priorities and Impact on Future Property Tax Rates and Debt Ratios

Background

The Ten Year Capital Plan is influenced by a number of factors and assumptions that change over time and can have a significant impact on the Town's ability to afford its long range plan in the timeline that Council desires. The key variables and assumptions that Town staff have considered when developing the long term capital and financial plan include the anticipated level of tax base assessment growth, inflationary and non-controllable growth in general operating expenses, the acceptable level of debt and the municipal property tax rate.

One variable, that not only comes with a great deal of uncertainty attached, but also has a very significant financial impact relative to the other assumptions, is the projection for the tax base assessment growth. When the initial "formal" ten year plan was developed, the anticipated tax base assessment growth was 3.25%. This was below historical trends and staff believed it was being conservative by using that growth level in its projections. However, over the following two years the tax base assessment growth turned out to be well below 1.0%.

For the 2018 budget we are projecting zero growth due to the province's plan to freeze assessment growth. As was stated during last year's budget deliberations, and repeated several times since, due to the recent dramatic decrease in the tax base growth rate, there is a real need to revisit the existing Ten Year Capital Plan. At this time staff believes there are no compelling indications to use a higher projected growth rate in the tax base assessment than the .5% to 1% range that is factored into the budget being presented to Council. Using this projected growth rate over the next ten years, the proposed capital plan is not affordable unless the Town is prepared to significantly increase its tax rate.

Decision Making

The 2018 Budget preparation and deliberations is a critical time for Council to discuss in depth the Town's long range Capital Budget priorities and parameters; as it is very clear that there are critical decisions that Council will make today that will have a significant impact on the Town's ability to make certain future decisions.

The Challenge

One noteworthy positive point illustrated in the existing Ten Year Capital Plan is that, even if the current tax rate is not increased over the short term (next couple of years), overall the Town is in a stable financial position assuming no immediate major changes.

The challenge is that decisions that are made today will result in a sizable impact on the property tax rate in future years. Therefore, the affordability of future plans dictates that the 2018 budget process must not only consider the short term needs of 2018, but even more importantly, the long term impact

that the financial plan and decisions made by Council today will have on future Councils and ratepayers. It is prudent that this challenge is addressed “head on” in a timely fashion.

Scope

The Ten Year Capital plan that is being presented to Council is consistent with previous versions of the capital plan. It reflects the stated priorities of Council, including addressing existing infrastructure such as local streets and roads and replacing existing equipment to enable continued delivery of municipal services to the standards expected today. It also includes significant investment in new additional infrastructure such as Mill Creek Park and commitment to a new Wellness Centre.

The Ten Year Capital Plan currently includes over \$100 million in investment in municipal infrastructure. There is some uncertainty that the long range capital plan, as presented today, includes all necessary upgrades and replacement costs needed to adequately maintain acceptable service levels by the Town’s existing asset inventory. The recent presentation to Council on the Town’s Asset Management Plan has demonstrated that with the current projected level of growth in the tax base assessment the Town cannot sustain the level of investment in the Ten Year Capital Plan. While staff have made some recommended amendments to the capital plan, including a reduction to the scope of some proposed capital projects and spreading proposed projects over a longer timeframe, i.e. Local Improvements, further clarity and direction from Council is essential.

Council must understand that the sensitivity analysis performed by staff on the impact of the current Ten Year Capital Plan, depending on whether an optimistic or conservative viewpoint is used, shows that the tax rate would have to increase in the range of **8 or 9 cents to over 20 cents** within seven to ten years to fund the capital plan. The two single biggest projects that impact the size and scope of the Ten Year Capital Plan are the proposed Wellness Centre (\$30 million) and the Town’s current annual commitment of close to \$3.0 million/year for the next ten years and beyond for Local Improvements. Sensitivity analysis using various assumptions demonstrates that even doubling the assumed long term tax base growth rate to 1% results in a significant rise in the property tax rate without a plan amendment.

GENERAL FUND (PROJECTIONS)						
<u>Scenario</u>	<u>Total</u>	<u>Capital Plan</u>	<u>Tax Rate</u>	<u>Tax Rate</u>	<u>Tax Rate</u>	<u>Tax Rate</u>
	<u>Capital Spend</u>	<u>Reduction</u>	<u>2018</u>	<u>2021</u>	<u>2024</u>	<u>2027</u>
Ten Year - Last Year Version (it was stated that amendment is necessary)	113,000,000	(from last year plan)				
Ten Year - Existing Plan (some LI Deferral and minor adjusting)	101,000,000	11,000,000	1.5826	1.6965	1.7319	1.7802
Ten Year - No Tax increase	70,000,000	43,000,000	1.5826	1.5844	1.5836	1.5826
Ten Year - 1 Cent/Yr Tax increase	83,000,000	30,000,000	1.5826	1.6683	1.6736	1.6826
<u>Assumptions:</u>						
Tax Base Growth - Zero in 2018, 1/2% in 2019 and 2020 followed by 1% each year thereafter						
Expenditure Growth - 2% per year plus one-offs such as RCMP building and Wellness Center						
Fed/Prov Funding is available for a Wellness Center in the amount of \$18 million (??)						
Proceeds from Sale of Property is not factored in the above calculations (could be \$2m??)						
<u>Notes for discussion:</u>						
At last year's budget it was stated that with the lack of growth in the tax base that this Ten Year Plan would have to be revised						
Reduction required is in comparison to the Ten Year Plan shown at last years budget. The Five Year Capital Plan was adopted.						
Need to determine what an acceptable tax rate is over the next ten years.						
Council/staff need to determine which capital items need to be eliminated or deferred beyond ten years						

Options for Council's Consideration

There are various options available to Council to facilitate achieving their Capital Project objectives and/or making them more affordable/palatable over the long term, including:

- Incremental annual property tax rate increases with the associated revenue being placed in capital reserves to help fund future capital projects;
- Proceeds from the sale of Town land/property could be specifically designated to help fund specific capital projects; the Town would borrow less, reducing debt service costs and mitigating the size of tax increases;
- Limit annual capital investment to a certain dollar amount and only increase its annual capital budget if the Town's assessment base grows by a certain percentage higher than projected.

Staffing is bringing these points forward as part of the budget process as it is critical for Council to make decisions in the short term to amend the Town's long term plans.

Utility Budget

The following are some notable highlights from the 2018 Utility Budget:

- Water and Sewer bills (annual fixed rate) will increase by 3.43% from \$845.00 to \$874.00; this equates to \$29.00 per year or \$7.25 per quarter. The fixed rate water and sewer bills must be set at a rate that will be sufficient to pay for the operating expenditures including financing of capital items from operations and debt service costs. This proposed rate is lower than the current rates in each of Moncton and Dieppe whose 2018 rates have not yet been determined at the time of this writing.
- Total utility budget of \$7.45 million. 2017 budget \$7.33 million.
- The cost of water purchases from the City of Moncton has increased by 1.5% under the new Water Purchase Agreement.
- The Town's share of Sewerage Treatment expenditures at Trans Aqua has increased by 1.2% as the result of a new tri-community cost sharing agreement.
- The Town's Utility (Water and Sewer) Capital Plan is directly linked to the General Fund in that Local Improvements and other Road and Street construction undertaken typically includes the water and sewer underground infrastructure. As such, the Utility Capital budget is relatively significant in size at approximately almost \$3,000,000 per year. Because funding sources are relatively limited to the Gas Tax (\$1.4m/yr.) and User Fees, the Ten Year Plan illustrates that significant additional borrowing will be required over the next ten years. While the current debt ratio in the Utility Fund is about 10% and is less of an issue than the debt ratio in the General Fund, we must still be very cognizant of it.
- The proposed Utility Budget includes a decrease in debt service costs (due to an earlier debenture being paid off) in 2018 which is offset by an increase in the amount of "*Capital Financed from Operating Revenue*". Consistent with earlier narrative in the General Fund budget section we typically look at the combined totals of these line items used to fund capital projects. The combined total has increased by \$130,000 which is significant, but necessary, to fund the proposed 2018 Utility Capital Plan without the need to borrow long term debt. Alternatively, this necessary amount could be obtained through long term debt borrowing instead of "*Capital from Operating Revenue*" resulting in a lesser increase in the immediate term Utility Water and Sewer annual rates. Council must be aware that borrowing now will reduce the ability to borrow in the future; a strategy that has negative connotations as it simply defers the impact into the future.