

# **Town of Riverview**

## **COUNCIL REPORT FORM**



Presented to: Mayor and Town Council

Presented by: Colin Smith, CAO

Date: September 24, 2018

Subject: Budget Planning for 2019 – Reviewing Preliminary Budget Parameters

---

### **BACKGROUND**

Budget season is upon us again. While the preliminary 2019 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 three 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 has indicated it was pleased 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 21 and 24.

To some degree the establishment of the budget parameters is much easier this year, since the majority of the General and Utility Funds budget parameters were reviewed and endorsed by Council as part of its approval of the updated 10 year capital plan in May. The 10 year plan established a clear direction from Council on what its capital budget priorities are; what level of overall growth that they want to limit the operating budget to; and what level of tax and revenue growth it is prepared to consider. With regards to the capital projects for 2019, there should be limited modifications to what was presented to Council only a few months ago and it will be Town Management's accountability to clearly outline any variances and the rationale for those variances.

As part of this discussion on budget parameters, Council must determine if they still support and agree with the parameters, has anything changed, what new priorities have arisen, and what priorities are no longer affordable or attainable at this time, etc. Below is a summary of some of the key influencing factors and inputs known at the start of the budget process:

**Defined by Council:**

- Town Council endorsed an updated 10 year capital plan earlier this year. Any variances to the capital plan need to be clearly explained and documented.
- The 10 year plan established assumptions for assessment base growth (0.5%); tax rate (1 cent increase) and operating budget growth limits (2.0%).
- Town Council has an established Strategic Plan for 2016 to 2020 that will guide decisions.
- Town Council has approved an Asset Management Plan that establishes clear priorities on ensuring the Town invests in maintaining its existing infrastructure to meet service level requirements in the community.
- Town Council continues to work towards the vision of a Wellness Centre for this community, and has allocated \$250,000 in the operating budget to continue to support the fundraising and project planning for that initiative.

**During the discussion on September 24, 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 2019 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.**

**External Factors:**

- While there appears to be some improvement on the housing market during 2018, it is not clear what impact if any that will have on the overall property tax base for Riverview. More houses may be selling but the sales prices may not reflect growth in the value of those properties. Early indication from Service NB is that the existing tax base in the Greater Moncton area will see minimal change compared to last year.
- The tariff war currently with the United States could have potential impacts on the Town's capital and operating budgets. There have been examples already where municipalities have seen an 8% increase in capital projects due to the current steel (20%) tariffs.
- The unconditional grant is difficult to predict. While during the last two years the Town received positive news when the numbers were released, there have been year's we have received negative results. The future status of the unconditional grant has not been discussed that we are aware of during this Provincial election. Unfortunately, municipalities do not hear about the amount of their unconditional grant until the end of November/early December.
- The new RCMP Headquarters for the Codiac Detachment is still in development with a target opening of 2021, which will have a sizable increase in operating and rent costs Riverview will need to share.
- Residents have indicated through a Citizens Survey that they are satisfied with the services provided by the Town today. Therefore, the desire of residents is for the Town to continue to meet today's service standard.

The following section summarizes the budget direction the Directors will receive if this approach is approved by Council.

## **2019 Budget Parameters – Direction to Senior Management**

To start the 2019 operating budget process, a number of guiding budget parameters and assumptions have been established for the initial draft of the 2019 budget. **Council can make the decision to change these parameters during the discussion on September 24, 2018 or during the phases of this budget process.** Those assumptions include:

### Revenue Assumptions:

- The 10 year capital plan endorsed by Council assumed a 0.5% overall increase to the Town's tax assessment base.
- Assume that the Town's unconditional grant will return to the levels of 2017. The 10 year plan assumed the increase we received in 2018 would not be a long term increase.
- The 10 year capital plan endorsed by Council assumed a 1 cent increase to tax rate to help fund the capital budget priorities.

### Expenditure Assumptions:

- The 10 year capital plan forecasting model assumed that the overall operating budget would increase by 2%, below current CPI levels (August CPI -2.9% Statistics Canada). Therefore, to start the budget process, it is assumed that all known increases such as salary and benefits; contract settlement terms; etc. will be covered within those parameters. Decisions outside the existing operating budgets that will need to be included in that 2% inflation increase also include:
  - \$30,000 for Riverview's share of the planning costs for the new RCMP station.
  - \$25,000 for an updated Citizen Satisfaction Survey, a planned commitment within the Strategic Plan.
  - The anticipated annual budget increase associated with the RCMP budget.
  - Per the negotiation agreement with the IAFF, a new firefighter position will be added to the budget. As part of the negotiations, the Town committed to add one new fire fighter each year for 4 years to increase the complement on the current shifts.

Note: The 10 year forecasting model predicts that the 2.0% increase to the overall operating base budget will cover all the known required budget increases (i.e. salary contracts, benefits increases like WSNB, etc.) as well as the other decisions listed above.

- \$250,000 will continue to be allocated to support the fundraising initiative and the project management requirements for the Wellness Centre.
- The Town will allocate \$600,000 to an operating reserve, as per the 10 year capital plan, to earmark funds to help offset the sizable increase in rent costs associated with the new RCMP station that are anticipated in 2021.

**Therefore, to start the budget planning process, all departments are directed to prepare their 2019 non salary budgets flat to the 2018 budget level. It is anticipated that there will be natural inflationary budget increases (i.e. power costs; gas; etc.) that will have to be addressed in next year's budget that have not been factored in the forecasting model. Therefore, directors will have to identify**

***what service cuts or reductions will need to occur to allow their department to remain within these budget restraints.***

***During the budget deliberations the remaining unallocated dollars related to the 2.0% overall operating budget increase, will be discussed by the directors who will recommend what are the most significant corporate priorities versus departmental priorities that are the most critical to fund. Those recommendations will be noted for Council in the final draft budget that is presented in November.***

***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 2019 capital and operating budgets for the General and Utility Funds, including the proposed assumptions and parameters for revenue and expenses.**