

INFORMATION REPORT

2024/25 Draft Operating Budget V3



To: Town Council
From: Director of Finance
Date: March 12th, 2024
Subject: 2024/25 Draft Operating Budget V3

References/Attachments

- 2024/25 Draft Operating Budget V1 Package
- 2024/25 Draft Operating Budget V1 Presentation
- 2024/25 Draft 5-Year Capital Budget V1
- 2024/25 Draft Operating Budget V2
- 2024/25 Draft 5-Year Capital Budget V2
- 2024/25 Draft 2024-25 Budget V2 Presentation
- 2024/25 Budget Engagement Survey Results
- 2024/25 Draft Operating Budget V3
- 2024/25 Draft 5-Year Capital Budget V3
- 2024/25 Draft 2024-25 Budget V3 Presentation

Legislation

- MGA Section 65

Approval Options

1. Approve the 2024/25 Operating Budget on March 12, 2024.

Staff have prepared a resolution to approve a balanced budget with a decrease of one or two cents to the tax rates, pending Council direction for covering the shortfall.

2. Set a Special Council meeting for March 18, 2024, to approve the 2024/25 Operating Budget.

If Council requires any new information that has not been provided to aid in their decision, staff recommend holding a Special Council meeting on March 18, 2024.

Background

On February 27, staff presented a balanced budget with no change to the tax rate for consideration, including additional adjustments to the budget based on new information.

Council discussion and direction to staff was to provide options for a one and two cent decrease to the tax rate. Version 3, attached, has a two-cent decrease to the tax rate, and a current shortfall of \$42,958. One cent on the tax rate is \$22,800.

Staff have prepared the following information:

- Summary of changes since February 27, 2024
- Update on mandatory/fixed and proposed budget impacts

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- Information regarding expense levels
- Updated Financial Condition Indicator projections for Debt and Reserves
- Information on proposed pre-payment of expenses
- Options for balancing the budget

Summary of changes since February 27, 2024

| Revenue | Amount |
|--------------------------------|----------|
| Two cent decrease to tax rates | (45,598) |

| Expense | Amount |
|---|------------|
| Benefits renewal | \$16,000 |
| Kings Point to Point Transportation one-time increase request | \$3,800 |
| Property Valuation Services actual invoice figures received | \$1,200 |
| Utility increases to reflect BEC flow through | \$7,000 |
| Maintain current Parks staff complement | (\$18,000) |
| Director of PW to 11 months | (\$10,000) |

Update on mandatory/fixed and proposed budget impacts.

New revenue from taxation, with no change to the tax rate, for 2024/25 is \$327,903. With a two-cent decrease to the tax rate, new revenue from taxation is \$282,406. While this appears to be significant, it does not cover the increase in mandatory or fixed costs. The table below shows the change to mandatory or fixed expenses over the previous year. Except for salary and wages, these mandatory or fixed costs are ineligible for grant funding.

| | 2025 BUDGET | 2024 BUDGET | % | \$ | 2023 UNAUDITED ACTUAL |
|-----------------------------|------------------|------------------|-----------|----------------|-----------------------------|
| Fixed Expenses | | | | | |
| Insurance | 101,555 | 100,278 | 1% | 1,277 | 94,358 |
| Debt Repayment | 400,868 | 381,746 | 5% | 19,122 | 408,348 |
| Education | 641,677 | 583,099 | 10% | 58,578 | 569,337 |
| PVSC | 32,360 | 31,138 | 4% | 1,222 | 38,800 |
| RCMP | 858,369 | 805,980 | 7% | 52,389 | 843,064 |
| Election | 15,000 | 0 | 100% | 15,000 | 0 |
| Utilities | 333,539 | 339,815 | -2% | (6,276) | 267,048 |
| Valley Waste | 211,137 | 186,668 | 13% | 24,469 | 223,507 |
| Communications | 56,014 | 47,224 | 19% | 8,790 | 42,706 |
| Net Salary* | 2,003,027 | 1,788,385 | 12% | 214,642 | 1,508,633 |
| Total Fixed Expenses | 4,653,546 | 4,264,333 | 9% | 389,213 | 3,995,801 |

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| | 2025 BUDGET | 2024 BUDGET | % | \$ | 2023 UNAUDITED ACTUAL |
|--------------------------------------|------------------|------------------|--------------|------------------|-----------------------------|
| Fixed Revenue | | | | | |
| Total Taxation | 4,232,090 | 3,949,684 | 7% | 282,406 | 3,508,525 |
| Municipal Financial Capacity Grant** | 254,937 | 221,479 | 15% | 33,458 | 221,479 |
| Total Fixed Revenue | 4,487,027 | 4,171,163 | | 315,864 | 3,730,004 |
| AREA Dividend | 0 | 162,000 | -100% | (162,000) | (245,375) |

*Net Salary includes all salary, wage, council remuneration and salary related expenses, minus the cost recovery from Berwick Electric and grants. This number could vary based on staffing levels.

**The Municipal Financial Capacity Grant is a legislated unconditional operating grant. The grant was unfrozen in 2023 and the formula updated, resulting in an increase of \$33,458 for the Town of Berwick. This is a one-time increase and will be frozen for the next five years. The previous grant amount had been frozen for at least seven years. Part of this grant includes a \$50,000 Town Foundation Grant that will be eliminated in five years.

As shown above, the total change in fixed expenses is greater than the increase in new revenue. In addition, the loss of the AREA Dividend further reduces the increase in revenue by almost half.

Proposed Budget Item Update

Below is an update on the proposed budget impacts shared at public engagement session.

| Proposed Item | Amount | Comments |
|---|-------------------|--|
| Customer Service & Communications Coordinator | 62,500 | Still included. Position is important to completing key tasks. Also see comments regarding FTEs. * |
| Human Resources Recruitment | 20,000 | Removed. No longer required. |
| Grants to Organizations | 5,500 | Removed because it is not assigned to any specific request. |
| Bylaw Enforcement Officer (Part-time) | 28,000 | Removed. Will continue to evaluate need in conjunction with Provincial Policing Review. |
| PW Training | 10,000 | Deferred heavy equipment operator training related to succession planning. |
| Tree Management | 6,000 | Still included. It is important to replant trees that are removed by the Town. Trees have not been replanted in several years. |

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| Proposed Item | Amount | Comments |
|-----------------------------|----------|---|
| Stop Sign Sensors | 4,000 | Removed. Will re-evaluate need. |
| Camera & GPS of Sewer Lines | 14,000 | Still included. This task is important to maintaining an asset management plan for future capital projects. Staff are seeking grants to offset costs. |
| Sewer Connection Fee | (15,000) | Still included as revenue. Explanation below. ** |
| Parks Coordinator Positions | 53,000 | Removed. Since this position was proposed, the hiring of a Director of Public Works is in the foreseeable future. Staff will continue to evaluate need. |

**Full-Time Equivalent (FTEs)*

In V1, staff proposed 2.5 FTEs: Customer Services & Communications Coordinator, Parks Coordinator and Part-time Bylaw Enforcement Officer. This is a net change of 1.5 FTE over last year since the Executive Coordinator position is vacant. The Customer Service & Communication Coordinator is the rescoping of an existing position.

In V2, staff had removed the Bylaw Enforcement Officer based on Council and public feedback. Staff will continue to evaluate the need of the position in conjunction with the Provincial Policing Review and discussions with other municipalities. In V2, staff also proposed to reduce the Parks Coordinator position to eight months. Council appeared to still support the position but wanted to see it as a term position for year one, with the potential to become permanent in year two. Since February 27, the hiring of a Director of Public Works, which originally was expected to be an on-going lengthy process, should be in place sooner than anticipated.

Staff feel this information changes the immediate need for the Parks Coordinator position and recommend that we keep the existing structure of public works and parks status quo for 2024 which includes three summer parks positions. The current Manager of Public Works (which was reclassified from a director in 2023/24) can provide the oversight of a Parks Coordinator for the upcoming year. As part of succession planning the Manager has proposed retirement date of May 2025. The new director and management will evaluate the needs of the department pending the retirement of the manager.

The dialogue at Council on February 27 was to make the customer service position a 12-month term with the potential to become permanent. Staff recommend Council reconsider this position as a permanent position to strengthen the pool of qualified, experienced candidates, allowing for future planning and minimizing the risk of possible turnover which strengthens the investment made in onboarding the successful candidate.

Direction sought on whether this position is permanent or term.

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****Sewer Connection Fee**

This proposed connection fee is not intended to add an extra expense or discourage development. Currently, when someone wants to connect to the Town's sewer where a lateral is not yet installed, they are responsible for all costs to connect the lateral to the main sewer line. In some cases, the main sewer line is located on the other side of the street and requires more asphalt removal and paving than others. To date, the Town has covered these costs for developers but not always for individuals. There is currently no official policy or procedure.

The intention of the connection fee is to first develop a policy or update a bylaw and procedure, and second to establish a fee to help offset the Town's cost of completing the work of installing the lateral to the property line. The fee would be less than covering the costs of the installation.

Information to address public questions regarding expense levels.

Review of expenses

There have been some questions that staff do not have a process in place to take a hard look at spending. The formal budget process begins in December with staff reviewing historical trends, upcoming requirements and identifying costs that are no longer required or can be eliminated as well as sourcing alternative solutions.

While the formal budget process begins in December, management informally identifies future operating and capital budget requirements throughout the year. This is done as a collaborative effort through staff engagement, Council directives, changes to legislated requirements, emergent circumstances, and proactive planning for future budgeting requirements. Each department diligently manages their respective budgets, to ensure the most cost-efficient, valuable services for residents. All expenses are reviewed by the appropriate staff member and all payables require the CAO (or Director of Finance) and Mayor (or Deputy Mayor) approval. The current staff complement of new and tenured staff has afforded a fresh perspective on operational efficiencies, which are expected to have positive impacts on future budgets.

Staff have identified several service contracts that will not be renewed upon conclusion as well as many which will be going to market (e.g., audit, insurance and cleaning). These contracts do require the capacity to prepare, advertise, evaluate and implement, assuming a change in service provider is recommended.

Salary and wages

Salary, wages, and associated costs represent approximately 27% of the Town's operations. This number includes all wages, both permanent and casual, and fire service honourariums.

In the past three to four years, there has been numerous staff turnover due to

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retirements, seeking other opportunities and other factors. Staff turnover has adversely impacted on the Town's ability to meet reporting deadlines, miss grant opportunities and undertake important cyclical reviews of contracts, agreements, policies and best practices. To ensure that Berwick can attract and retain quality candidates, during a labour market surplus for municipal jobs, it was important to complete an external compensation review for non-union salaries.

The review found that overall, the compensation structure was out of line with the market. Three positions had a current salary within 10% of the market midpoint (in line with the market), and the remaining ten roles were more than 10% below the market midpoint. The positions that were below market were recommended to be adjusted at or slightly below the market midpoint based on experience and education/knowledge of the position. Adjustments were made in 2023/24 based on the report's findings. Staff continue to monitor municipal compensation levels through job postings around the province. There is nothing to indicate that Berwick's compensation levels are out of scope for the municipality's size.

Information on proposed pre-payment of expenses

In the meeting on February 27th, Council inquired about the possibility of pre-paying expenses during the current fiscal year, to minimize the 2024/25 budget expense requirements. Staff reviewed the possibility of purchasing additional sand, salt and gravel, however due to storage constraints, this is not a viable option. While there is a forecasted surplus for 2023/24, which will transfer to operating reserves upon conclusion of the 2023/24 audit, Council may wish to consider drawing additional operating reserves as an option to provide relief for taxpayers during the 2024/25 fiscal year.

Options for balancing the budget

Below are options that Council may consider to balance the budget.

- Reduce the annual operating paving budget- amount of reduction directed by Council
- Eliminate the crossing guard services- potential savings of \$24,557
- Draw on additional operating reserves
- Direction provided by Council for alternate option(s)

Financial Implications

See above information and attachments.

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Priority Alignment

| Check Applicable | Strategic Priority Area | Comments |
|-------------------------|--------------------------------|-----------------|
| X | Economic | |
| X | Environmental | |
| X | Social | |
| X | Cultural | |

Community Engagement/Communication

A public budget engagement session was held on February 20th, 2024. The budget feedback survey closed on February 25th, 2024 and results were provided to Council in the Committee of the Whole meeting held on February 27th, 2024.

All budget information is posted on Berwick's website at: Berwick.ca/2024-25budget.

CAO Initials: JB