

MEDIA RELEASE

FOR IMMEDIATE RELEASE – 20 October 2023

(Oromocto, NB) At Regular Session on 21 September 2023 Council passed a resolution to adopt the proposed Five-Year Financial Plan to guide staff as it prepares for the upcoming annual budget and future budgets. The objective of the financial plan is to provide a high-level overview of the major investments on the horizon and to review the impact of these major investments on the tax rates and water and sewer rates to provide a more predictable multi-year approach for property tax rates and water/sewer rates.

Oromocto has ageing infrastructure that requires a long-term plan and financial resources for repairs, maintenance and/or replacement. Staff are focusing on business optimization and process improvements and are committed to identifying priorities and efficiencies within the Town, but it is not enough to cover the financial needs. The Town is experiencing an immediate and long-term financial critical point. It is expected in 2024 there will be a \$28 M pressure for the 2024 operating budget and \$3M in capital needs. This is in addition to the planned major capital investments for the water and sewer budget.

The Town owns close to \$115 M in tangible capital assets (replacement costs) and over the next five years most of these major assets will require capital investment to maintain their performance and/or replacement at the end of their useful life. This is the result of the compounding effect of deferring maintenance resulting in higher costs to prevent assets from failing; more in-depth information on asset condition, resulting in the identification of increased investment requirements; and the difficulties of dealing with poor-condition assets and unprecedented increases from DND for the delivery of water and sewerage services to the Town.

PLANNED MAJOR CAPITAL INVESTMENTS 2023-2028

The planned capital investments over the next five years to meet the sustainability and future growth of the community are:

1. **Fire Trucks** – Phase I was approved for procurement in 2023 to allocate 2M dollars to replace 2 aging fire trucks.
2. **Multi-Cultural/Generational Centre** - Successful in obtaining the Hubbard Elementary School property. Obtained Council approval to begin the project planning for the construction of a multi-purpose facility, to be situated at the former Hubbard Street School location, with a total investment of not more than \$50 M.
3. **Fire Station** – to prepare for the planning and beginning of construction of a new fire hall in 2028-2029.
4. **Wastewater Treatment Solution** – Beginning to plan and design for a wastewater treatment solution to deal with future handling capacity to ensure for future growth of the Town.
5. **Water Sewer & Storm Line Renewal** – The Town must invest approximately \$15M between 2025-2027 to catch up on replacement of aging infrastructure as it approaches reliable “end of life” for materials that have been in the ground. The Town has over 90 km of infrastructure that was originally installed over 65 years ago. Rough estimates to replace all this infrastructure would be approximately \$191M in 2023 dollars.

CURRENT MUNICIPAL TAX RATES

There are two levels of property tax: provincial and local (municipal). The provincial tax helps pay for healthcare, education, social services, the administration of justice and more. The municipal taxes pay for services such as policing, fire services, recreation, public works and general administration. The utility user charges are separate and not paid for out of the general tax revenue. The following table shows Oromocto in relation to some other NB municipalities.

2023	
Fredericton	1.3386
Moncton	1.4443
Saint John	1.6200
Woodstock	1.4500
Riverview	1.4826
Quispamsis	1.2770
Sackville	1.5484
Oromocto/Lincoln	1.4051/0.9007

TAX RATE PROJECTIONS 2023-2028

Based on the planned major capital investments and other factors, the projected municipal tax rates are:

	2023	2024	2025	2026	2027	2028
Town	1.4051	1.4201	1.4351	1.4551	1.4751	1.4951
Federal	1.0085	1.0193	1.0301	1.0444	1.0588	1.0731
Lincoln	0.9007	0.9407	0.9807	1.0207	1.0407	1.0607

- Increase of 1.5 cents in 2024 and 2025 and 2.0 cents over the next 5 years.
- Federal rate follows a consistent ratio
- Ward 4 Lincoln – 4 cents for 2024, 2025 and 2026; 2.0 cents increase, consistent with Town of 2027 and 2028. This ward pays a differential tax rate based on services it receives and towards the amalgamated administrative costs of operation.

WATER SEWER RATE ANALYSIS 2023-2028*

	Fixed Charge Quarterly	+ Variable Charge	= Average Quarterly Billing
New Maryland	\$207.00	\$1.75/m3	\$294.50
Fredericton	\$123.80	\$1.94/m3	\$220.80
Oromocto	\$37.00	\$3.70/m3	\$222.00

*Rates from other communities were sourced from public sites.

5-YEAR WATER SEWER RATE PROJECTIONS 2023-2028

Quarterly	2023	2024	2025	2026	2027	2028
Fixed	\$37.00	\$87.50	\$112.50	\$137.50	\$137.50	\$137.50
Consumption	\$3.70	\$3.50	\$3.30	\$3.00	\$2.90	\$2.80
Billing per Average household	\$222.00	\$261.06	\$279.41	\$292.27	\$288.61	\$284.86

- Average quarterly bill peaks out in 2026 at \$292.27 per quarter
- Reduces back to \$284.86 per quarter in 2028 holding fixed rate and reduce consumption rate.
- Expected increase in Fredericton 5% per year based on publications available to the public.

Projected 2028	Average Quarterly Billing
Fredericton	\$281.80
Oromocto	\$284.75

There are several factors that contribute to the projected water/sewer increases:

- Need for increase capacity for sewerage treatment in Oromocto West.
- DND Water and Sewer rates increased by \$185% and 285% respectively.*
- Need to catch up on existing infrastructure (i.e. aging pipes).
- Operational modernizations (lead to efficiency through investments)
- Operational costs to reflect real costs (i.e. water-cost transfer, annual deficit)
- Water & Sewer infrastructure and maintenance costs are cannot be covered by tax rates. Legislation dictates that this must be funded through direct water and sewer billing.

* This change is due to the unprecedented increase in water supply and treatment costs the Town incurs when it purchases these services from our long-standing partner, Base Gagetown.

ASSUMPTIONS

A number of reasonable assumptions were made during this financial forecast:

- The Town is currently assuming that rate of inflation over the next 5 years will range from 2 – 5% annually.
- Multi-Cultural Centre and Arena - When open, will cost \$1.25M/year to operate.
- Provincial Community Funding and Equalization Grant - to be reduced from \$578K to 0 by 2027.
- Regional Service Commission - Service fees (approximately \$270k) to increase annually by rate of inflation.
- DND Wastewater Treatment Plant Take Over by 2028 – Base costs of water and sewer charges to increase by 15% annually over the next 3 years.