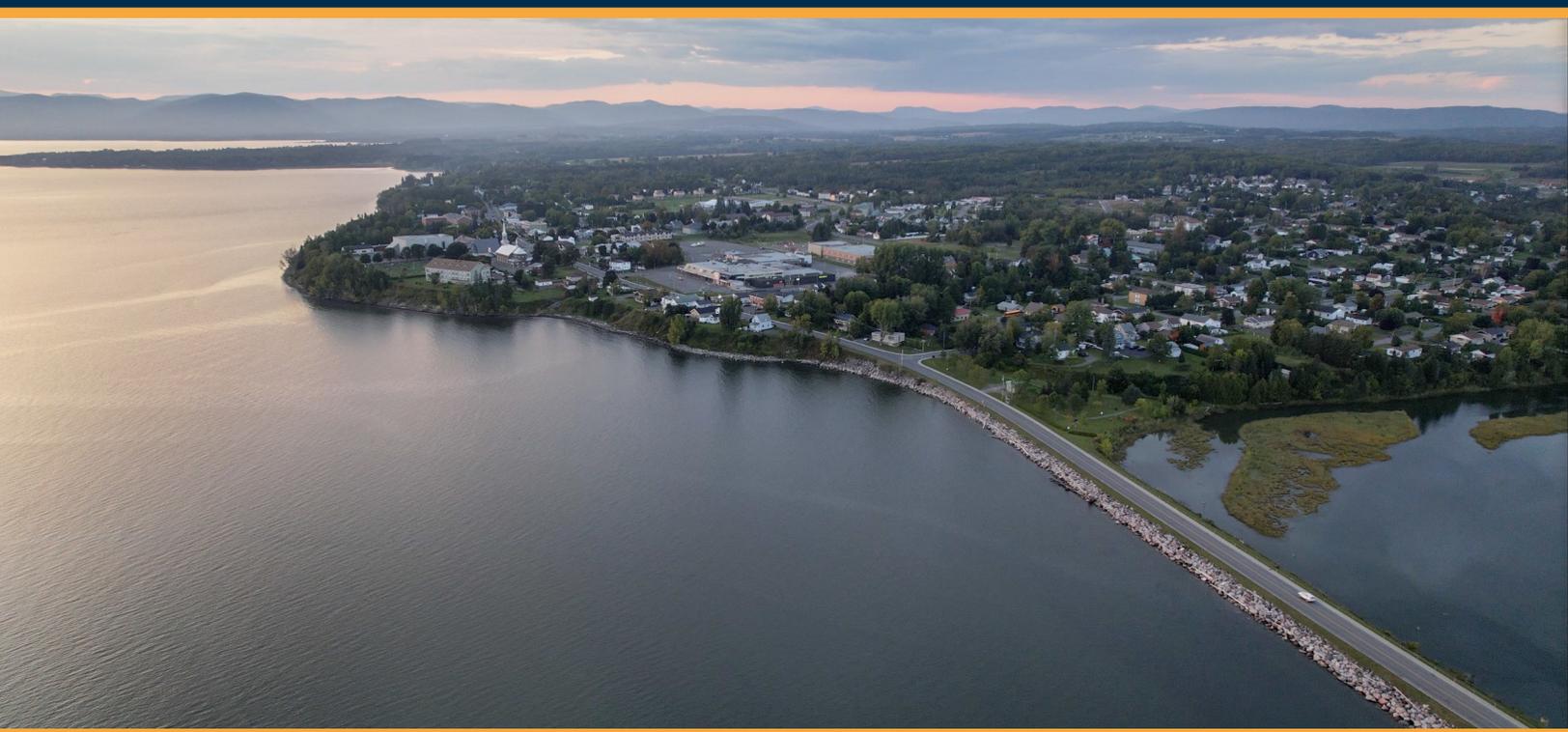


2023 BUDGET

PRESENTED BY
MR. ÉRIC DUBÉ, MAYOR
MONDAY, DECEMBER 19, 2022



A MESSAGE FROM THE MAYOR

Dear citizens:

Once again the month of December has arrived! Time flies by so quickly. I feel as though I just recently presented the 2022 budget and tonight I am already presenting the 2023 one! As you are aware, in the municipal world, budgets are prepared in the fall. It is the time when we are informed about the real estate role applicable to the upcoming year, the costs for the disposal of residual materials, the various rates for certain services, including the cost for evaluation, as well as the sums allotted to our town by the Government of Quebec, such as equalization payments for example. All of this leads to a sprint of a few weeks in the towns in Quebec that begins in October and leads to tangible results in December.

Our department heads mobilized to re-evaluate their annual requirements. They are the most qualified to evaluate their individual budget needs. Once this task was completed, the Budget Committee composed of myself, the Director General and two elected officials, proceeded with conception, decision-making and calculation process in order to end up with a satisfactory, and even more importantly, accurate result. I would like to thank our municipal staff members who participated once again this year, along with Ms Pamela Dow and Mr. Jean-Pierre Querry, councillors, for the time they invested in the process. Your knowledge and understanding of municipal administration were very valuable throughout the exercise!

Before turning to the details of the budget, I must put the current situation into context. If the most recent budgets were affected by the uncertainty related to the COVID-19 pandemic, the 2023 budget is directly affected by the current inflationary situation. Even though there were indications of this in the fall of 2021, the increase in the cost of living in 2022 rapidly attained a level that was not anticipated. Evidently, the impact is major on a central town such as New Richmond that offers multiple services to the population. Paired with the soaring increase in interest rates over the past months that affect towns like ours that own several facilities, and the result is an explosive combination. In spite of all this, I consider that the result that will be presented to you this evening is satisfactory in this context.

Increasing operating costs

Our current situation is extremely volatile. Following two years of a pandemic, closings, suspensions, and financial uncertainty, we are now experiencing an overheating economy that developed in a few months because demand is much higher than supply and this due to a shortage of materials, the labour force shortage and issues with the supply chain caused by sanitary reasons pretty well everywhere throughout the planet. Our entire system is out of sync with increased impacts on the grocery basket, fuel and all other consumer goods, causing central banks to increase interest rates. Since last January, the prime interest rate in Canada underwent an exponential increase of 1 500%, which has never been seen before!

Of course all of these elements have repercussions on the expenses in all of our departments. In addition, we must take into account the various duly negotiated work contracts that allow for salary increases. In the current context of a shortage of manpower, it is an employer's responsibility to retain qualified, competent and available employees. The management of human resources will assuredly be one of the most important challenges of the next decade... In addition to salary increases in function of work contracts, all of the other budget elements will be affected.

The budget for the Treasury Department, the Town Clerk's Office and the General Administration will total 536 721 \$, an increase of 36 000 \$. Computer costs, that are mainly related to the costs for the various programs

necessary for our operations and repairs throughout the year, will increase by 15%. In fact, we have no control over the constant increases over the past 24 months in this sector that is unfortunately indispensable. A marked increase in collective insurance costs is also responsible for additional amounts in 2023. The cost will be 81 000 \$ in 2023, and was less than 50 000 \$ in 2021. We recently increased the work schedule in the accounting department. The applicable accounting requirements and the services that we manage made this decision obligatory in order to have a properly functioning Treasury Department, which is essential in a town such as ours.

Assessment costs and general insurance will be significantly rising

Several rates and costs that we must pay are largely out of our control from a municipal point of view. They are often imposed by the state or are the result of a public call for tenders where we are obliged to retain the lowest bidder. A good example is the assessment costs for the revision of our real estate assessment role. The MRC's of Bonaventure and Avignon proceeded with a consolidated call for tenders for all of the localities in the Bay of Chaleurs in order to obtain a good price. Regrettably, the result remains mind-boggling. From a cost of 129 156 \$ in 2022, the total will be 177 114 \$ in 2023. The difference is close to 50 000 \$ or 37% more to pay just for the exact same service!

Insurance costs in various sectors are another good example of numerous increases. We are a participant in a consolidated call for tenders with the UMQ for general, fire, automobile and other insurance coverage and they suggest that we budget an additional 10% over the costs for 2022, which was already 25 000 \$ more than the previous year! Consequently, the budget for our insurance will increase from 181 728 \$ to 219 830 \$, an increase of close to 40 000 \$. In 2021, the amount of this budget item was 125 174 \$. The result is close to 100% in 24 months...

The assessment and insurance items alone will result in an additional cost of approximately 90 000 \$ in 2023 for the same services and there is no indication that costs will level off in the near future.

There are a few positive elements, such as an economy of several thousand dollars for telephone communications, resulting from new technology offered by Telus, as well as an economy of close to 10 000 \$ for our equilibrium costs for the actuarial deficit of the former municipal employees pension plan due to excellent returns from 2020 to 2022. But all of this is quickly countered by multiple increases, including the maintenance costs for our buildings, including the Town Hall, the Community Center and the building located at 200 Perron Boulevard West. It is simple: everything we buy costs more. The result is astonishing: our General Administration budget will increase by close to 150 000 \$ for a total of 1 575 490 \$.

Public safety is non-negotiable

There will also be increased costs for our police services and the Fire Department. The costs for the Quebec Provincial Police, that is assumed by the municipal sector at a rate of close to 50%, will increase by 3% for a total of 353 205 \$. We remind you that there is no room for negotiation concerning this expenditure. At least we have a police station here in New Richmond, resulting in an increased sense of security for our residents.

The costs for our Fire Department will increase by close to 20 000 \$ for a total of 188 257 \$. We had no choice but to acknowledge that the number of interventions by our brigade has increased due to our multiple responsibilities: in addition to fire interventions, our firemen are also called upon for nautical rescue, search and rescue in isolated areas, response to automatic alarm systems and assistance to paramedics when various types of accidents occur. The result is an increase of 13 000 \$ in salaries in order to reflect reality. The maintenance of our emergency vehicles, that are in good condition, also require significant additional finances. Finally, the Town will spend an amount of 542 450 \$ in 2023 for police and fire services. I would like to reassure our citizens that the Town will not place public security in jeopardy at any time. With this budget, emergency services will have the resources necessary to intervene.

The road network is essential

Evidently, road maintenance and snow removal operations are essential and they constitute one of the primary responsibilities of a town, similar to emergency services, water, sewerage and the management of residual materials, for example. With the 2023 budget, we planned for stability. The quality of our services is excellent and we plan to continue in the same manner. In spite of important labour challenges, the team is essentially the same. It is the cost for fuel and vehicle maintenance that is the spoiler. You are well aware that the cost at the gas tank has substantially increased since the beginning of the year. Unfortunately, the trucks in our Public Works Department consume a large amount of fuel. The budget item for road maintenance and snow removal will amount to 155 000 \$, an increase of 45 000 \$. I would like to mention that even with this increase, we anticipate that this budget is not necessarily sufficient. It would be difficult to decrease our consumption without directly impacting snow removal operations, which make up 2/3 of the total. Costs for paving and gravel will also significantly increase by more than 20 000 \$ for a total of 96 500 \$. Even with this increase, it will be difficult to offer the same service in 2023, as the cost for paving has doubled since the beginning of 2022. All of these increases are directly linked to the increase in fuel costs that affects us on a daily basis. For example, our cost for salt will increase from 46 000 \$ to 55 550 \$. It isn't the product itself that is more costly, but rather the transportation costs that are much higher.

The maintenance budget for our vehicles have been increased in order to meet our requirements. It's simple, every time we must take a vehicle to a mechanical garage, it costs thousands of dollars and that is when the parts are available. The cost for parts that are often imported, as well as their hourly rates, seem to have increased, like everything else.

The costs for road maintenance and snow removal will total 1 423 848 \$ next year. Several expenses for this department have been cancelled. Some of the obligatory ones could be absorbed in a different manner without impacting the 2023 tax bills.

Water, sewerage, garbage collection and recycling are no exception

If you have followed along, you understand the strong trend concerning our operating expenses. To a lesser degree, there will be an increase in costs for water and sewerage. The maintenance costs for our sewerage pumping stations and the cost for pipes must be increased by several thousand dollars in order to be more realistic. The costs for the landfill site for our residual materials will increase by 10 \$/ton, for a total of 288 500 \$ rather than 266 500 \$. The collection, the transportation, the management and the disposal of our residual and recyclable materials will cost 564 440 \$ in 2023. Costs for Environment Health (including water, sewerage, recycling and residual materials) will amount to 959 226 \$, an increase of 40 000 \$.

Public Housing

I would like to remind you that we are legally obliged to contribute to compensating for the operating deficit of the *Office d'habitation Baie-des-Chaleurs* for public housing in our community. The Town must contribute an amount equal to 10% of the total deficit. An amount must be added for our contribution to the rent supplement program for *La Seigneurie*, *Le Transit* and *Le Boisé* buildings, at the same proportion as that attributable to the *Office d'habitation*. Because their operating costs are also increasing, our contribution will increase by 10 000 \$ for 2023, for a total of 69 750 \$.

Development and Urbanism

This department will remain relatively stable for 2023, but there will be certain new elements. In 2023 we will be maintaining a community garden in the Taylor's Point sector. We will hire a part-time employee for a few hours per week to set up this garden. We were able to add this element without any impact on the budget for now and we hope that citizen response will be favourable.

We have allotted a small amount to replace the vegetation that underwent a high rate of degeneration in the downtown sector along Perron Boulevard in 2022. It is important to keep our landscaping elements in good condition, it is a distinctive element that is beneficial on many levels.

The increase in interest rates is beginning to have an impact...

One of our budget items is the Industry and Commerce Department. It includes several expenses associated with the public market, the public electrical charging stations, various annual animation activities and the major part is composed of the expenses associated with the reimbursement of debt of the *Société de développement économique* (the former industrial building) and the *Parc régional Petite-Cascapédia* (*Pin Rouge* Tourist Resort). The amount for the *Société de développement économique* is a little more than 750 000 \$ and less than 2,8 M\$ for the *Parc régional*. The Town is responsible for these debts because it signed as a guarantor several years ago.

Over the past nine years we have assumed our obligations and made the required payments without too much trouble because interest rates were very stable. We reimbursed the required capital annually and decreased our financial engagements progressively. Today, the situation is much more complicated. Firstly, the SDE term loan is up for renewal. The rate that previously was a little more than 5% is likely to be situated between 10 and 14%, according to the preliminary discussions with our financial institution. It will be more than double, resulting in a probable increase in payments of between 35 000 to 40 000 \$ in 2023. This is the unfortunate reality that we are dealing with and this reality is affecting everyone. For the moment, we will be able to repay it by adjusting our contributions and by reducing our economic animation activities. In January we will contact the Ministry of Municipal Affairs to try to convince them to allow the Town to directly refinance this debt, which would allow us to obtain a lower rate than the current one. We must deal with the reality, in the same manner as you, citizens and members of the business community, are dealing with it.

Concerning the debt of the *Parc régional Petite-Cascapédia*, for which we have repaid 150 000 \$ annually for the past nine years, the rate increase is so high that the amount previously budgeted will not even cover the annual interest. Even though this organization is in a better financial position than in the past, it is unable to repay its debt. Because New Richmond backed this entity at the time, we have an obligation. The 2023 budget will allow us to pay the interest and if rates level off, as we have allotted additional funds, but we must find a long-term solution. The future of this organization is an ongoing challenge. New Richmond is not in a position to do so by itself. If the region wishes to maintain activities at the *Pin Rouge* mountain on a medium and long-term basis, other organizations must become involved. I am confident that when the time comes, people will become involved. With the current economic situation, the time may be sooner than later. The Town has done its share for close to twenty years and now it must share the risk with others. This mountain is a high-quality facility and an important tourist attraction in both the winter and summer seasons. The region must act to conserve this asset, but a town with 3 800 inhabitants cannot do so, especially when you consider that the center is not even in our municipal territory. You may interpret this message as a call for help or a warning, it is up to you to judge, but I consider it important to be very honest with you about this subject. We are adding an amount of 25 000 \$ just to deal with the increase in interest rate for the *Parc régional*, but we cannot continue to do so. The citizens of New Richmond deserve a break.

Recreation, Tourism and Culture – Same activities, different costs

As with the other departments, we are targeting stability in our services. We are currently attempting to conserve our assets. However, it is impossible to do so at the same cost, except for the arena that will benefit from the investments currently underway. In spite of inflation, its operating budget will remain identical. I would like to inform you that after several months of delay, it will re-open in January to the delight of young and old. We are just as disappointed as our clients have been over the past months, but the contractor had to deal with a shortage of materials, labour, various delays and so on. We can now move forward and look to the future.

The budget for the pool, that remains very popular, will be increased by more than 35 000 \$, mainly due to an increase in qualified personnel, as well as a large increase in maintenance costs (mechanical and electronic) and chemical products.

The summer day camp, another municipal responsibility for which we receive very little support from the Government of Quebec, is very popular and is basically an essential services for our young families. Close to 100 children attend the camp each summer. Offering seven weeks of camp in a safe and dynamic environment requires many resources, in addition to persons specialized in accompanying children with special needs.

Even though we increased the rates for these activities in 2023 from 5 to 10%, the fact remains that they are in a deficit situation and will remain so. It is the basis of a recreational activity offered to the general public. So, what do we do? Close something? If yes, what? All of our buildings have important fixed costs even if they are closed. What kind of a message would we be sending to our population by closing facilities largely targeted for young families? Facilities where children and adults are fulfilled, thrive, develop and improve their health and their lifestyle. It is unthinkable for a central town such as ours to close a busy facility to save 1% of taxes. It would be irresponsible to do so for our future generations. However, we must control the increase in expenses. We have succeeded to date, but this year I must admit that is much more difficult to do so.

By adding the operating budget of the *Salle de spectacles*, that is 20 000 \$ less than 2022, along with the library, the Town will invest 1 659 098 \$ in the Recreation and Culture Departments for the benefit of our citizens, an increase of 55 000 \$. Relatively speaking, it is the sector with the smallest increase because is it the one that is not essential to our activities, but one that is so important for our citizens.

Rates and challenges

I discussed this previously, but the interest rate increase is clearly the element that has the greatest impact on our 2023 budget. In the municipal sector, it is the Ministry of Finances that is responsible for tenders on behalf of towns in Quebec when needed. In this regard, all of our loans and their renewal every 5 years are subjected to the same procedures. For more than a decade, rates varied between a maximum of 2 and 3% in the municipal sector. All towns, without exception, were able to take advantage. However, no one could have predicted that the prime rate of the Bank of Canada would increase from 0,25% in January 2022 to 3,75% on October, an astounding increase of 1 500%! The result is very clear, our current and future renewals in 2023 will be at a rate of approximately 5%. Our interest costs will increase from 413 736 \$ to 610 582 \$. This result is close to an additional 200 000 \$. I would, however, like to make a precision concerning this subject. The increase in interest rates is not uniquely the result of rate increases. During 2022, we proceeded with the financing of the work on Terry-Fox Avenue and anticipated the upcoming financing of the work to the arena, two large infrastructure projects that were planned and necessary. In spite of this, the increase in the rate of interest versus what we budgeted will have a impact of more than 125 000 \$. Once again, I remind you that these costs do not give any additional benefits to our citizens...

The reimbursement of capital will increase by 110 000 \$, to attain 1 604 700 \$, which is good news: we pay our debts! The total debt service will be 2 215 282 \$, as compared to 1 907 336 \$ in 2022. I would like to remind you that the total was 2 969 187 \$ in 2021, which was the final year for several debts.

Our total budget for 2023 is 9 245 292 \$, an increase of 7%, which is directly correlated to the cost of living increase. If you have followed the news recently, you will note that this proportion is essentially the same throughout the municipal sector.

Inevitably, all of this has an impact on taxes and tariffs

We have done our best to limit the increase in our operating costs. Yes, we eliminated certain animation activities, but it is difficult to decrease services to citizens. Contrary to larger cities, we do not offer many services outside of our primary responsibilities. It is impossible to cut back in road maintenance, snow removal or water and sewerage. We must deal with the current costs. It is evident that we cannot decrease snow removal operations due to security reasons. It is difficult to decrease road maintenance services. No one wants the Town to ignore potholes in the spring or eliminate patching on the road in the summer! All that is left are sports and recreation facilities. As I previously stated, what type of message would we be sending if we were to close these important and busy facilities for families and the general public?

Consequently, our first decision was to increase the rates for rental revenues and activities by an average of 5%. These additional revenues will not cover the increase in operating costs, but they will reduce the impacts. The marked increase in the tax base in New Richmond in 2022, due to several private constructions, will also help to cover the increase in our operating costs. An increase in subsidies from the Government of Quebec, resulting from the Fiscal Pact, will also help: we will receive 62 294 \$, which is our share of the increased PST revenues and a 199 334 \$ equalization subsidy, a combined increase of 37 000 \$. Unfortunately, this is not enough to balance our budget. The state of the economy has obliged us to budget for smaller amount of transfer duty taxes in 2023, a loss of 20 000 \$.

As you likely know, the municipal fiscal regime does not allow for audacity and creativity. In Quebec, the revenues of a town are almost exclusively from real estate taxes and tariffs for services. We have almost no other sources of revenues. The state will definitely have to give more power and revenues to towns in the future, if not, tax bills will be impacted continuously. For example, several locations in North America share consumer tax revenues from their sector or other types of fees shared by the government. In our case, out of a budget of more than 9 M\$, the government allots just over 500 000 \$ for our operating expenditures. The rest, you and I pay on our tax bills!

Having said this, I am now at the heart of the matter: the impact on property taxes. Firstly, the rate associated with the management of residual materials and recycling, in direct correlation with operating costs, will increase by 2,8% to total 245,55 \$ for a single-family home. The majority of this increase is due to the price per ton for the disposal of residual materials.

The rates associated with water and sewerage will increase by 30 \$ / unit, from 80 \$ to 110 \$ for a residence and the special tax related to these services will increase by 4% to total 0,1553 \$ / 100 \$ assessment. These adjustments are a result of increased costs for these services and the reconstruction of Terry-Fox Avenue, for example. It should be noted that these two elements remained stable for several years.

Property taxes will also increase in order to balance the budget. This year, there will be an increase of 4,8% for the residential rate and 4% for the commercial rate. We decided to limit the impact on the business community in order to give them more latitude in facing the challenges that are on the horizon. For an average home, the total impact is 24,19 \$ per tax installment (6).

Believe me, this type of increase is not what we envisioned at the beginning of 2022. In the past five years, in spite of the complicated COVID situation, we were able to balance our budget with an average increase of 1,76%, even with the projects we completed. This time, an adjustment is necessary.

What comes next

The future is still bright for our town. Our economy is doing relatively well and generally speaking, the business community has done well for the past 36 months. The current CPI, combined with an increase in interest rates, will

likely result in increased impacts on our operating costs on a medium-term basis. In this context, we will be limiting investments to the necessary elements until things calm down. However, the good news is that several of our large projects have been completed: Perron Boulevard, Cyr Road, Terry-Fox Avenue, the Bruce-Ritchie Pool, the arena, the *Adrien-Gauvreau* Community Center, pumping station 8 and its piping network, and on a smaller scale: the tennis courts, the soccer field and the outdoor rink underwent major renovations that will last over a medium term.

Our three-year capital expenditures program has been subsequently adjusted. Certain projects from our previous Strategic Plan of Actions may be delayed to a time when the financial situation will have improved or if financial partners are found. The reconstruction of our municipal garage is still included, but it will require a good amount of subsidy to become a reality. The same applies to our pumping stations and water and sewerage network.

Contrary to large centers, we must stimulate our tax base to maintain our facilities, in addition to stimulating growth and developing services. Everyone is asking for more and more services from municipalities, but are resistant to paying the costs. It is our challenge to find a happy medium. In order to maintain a happy balance, we do not anticipate adding any services on a short-term basis, unless there is zero cost.

I would like to wish you a Happy Holiday season. Rest, enjoy your families and take advantage of winter sports if weather allows. I wish you all peace, love, happiness and good health in the upcoming year.

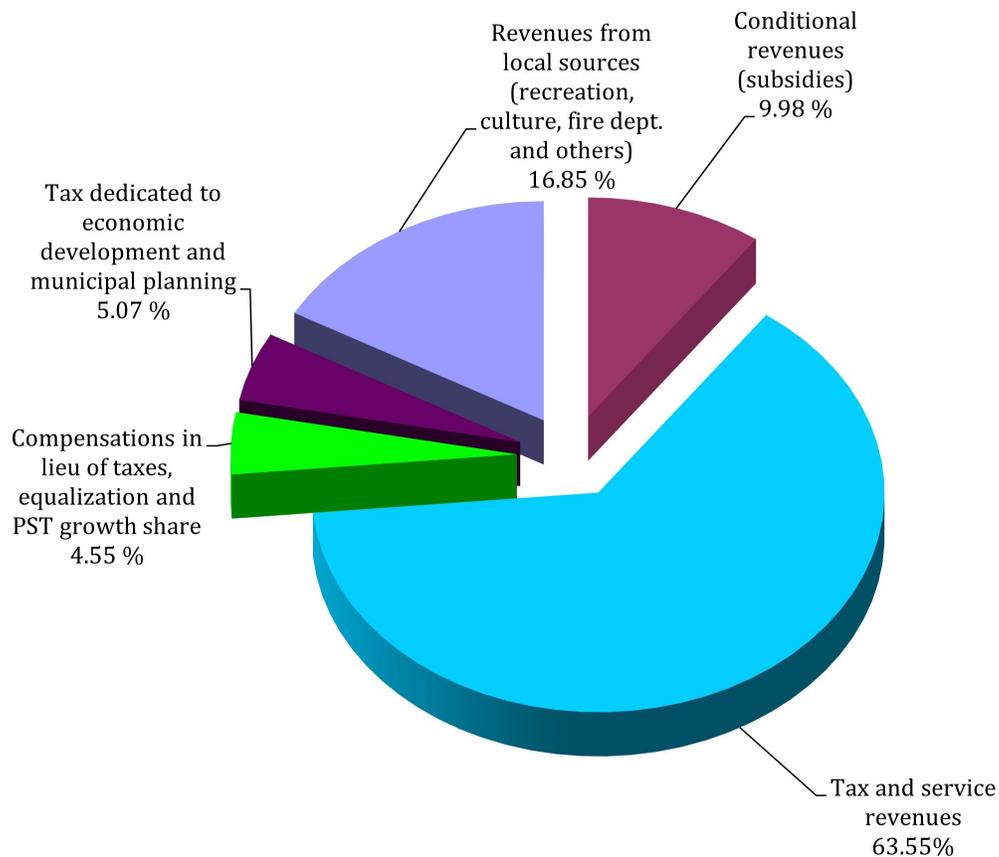
Sincerely,

A handwritten signature in blue ink, appearing to read "Eric Dubé".

Éric Dubé
Mayor

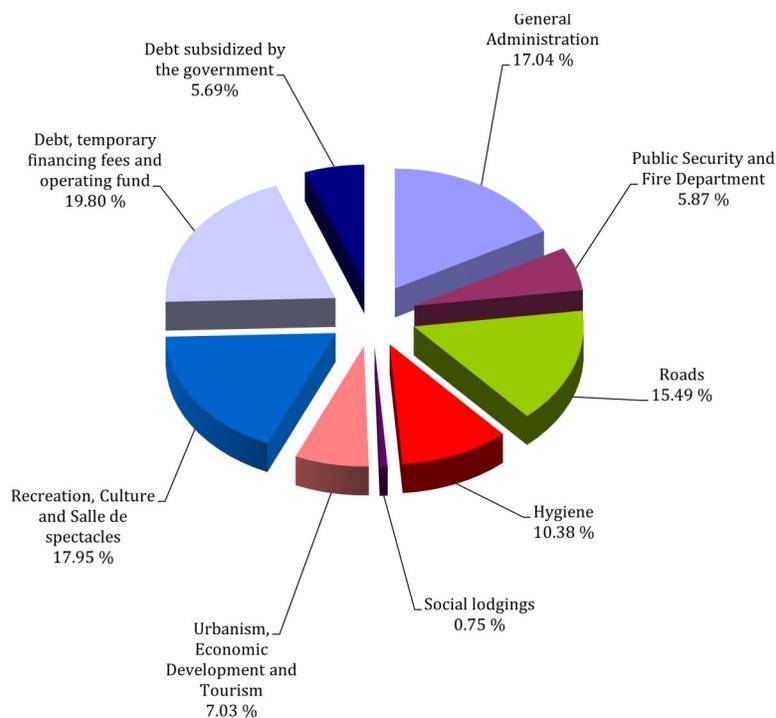
PRORATA AND PERCENTAGE OF REVENUES FOR THE MANAGEMENT OF MUNICIPAL SERVICES				
	2022	%	2023	%
GENERAL ADMINISTRATION				
General tax	4 334 269	51.13	4 804 313	51.96
Tax dedicated to economic development and municipal planning	428 413	5.05	468 574	5.07
Sector tax	4 216	0.05	3 361	0.04
Compensation in lieu of taxes, equalization and PST growth share	355 284	4.19	420 355	4.55
Other revenues	1 506 100	17.77	1 557 871	16.85
Conditional revenues	857 483	10.12	922 892	9.98
HYGIENE				
Special tax	323 986	3.82	338 716	3.66
Water & sewerage tariff	127 500	1.50	173 725	1.88
GARBAGE AND RECYCLING COLLECTION				
Solid waste-recyclable materials	539 834	6.37	555 485	6.01
TOTAL REVENUES	8 477 085	100.00	9 245 292	100.00

DIVISION OF REVENUES - 2023



PRORATA AND PERCENTAGE OF EXPENSES FOR THE MANAGEMENT OF MUNICIPAL SERVICES				
	2022 (\$)	%	2023(\$)	%
GENERAL ADMINISTRATION				
Administration	1 427 338	16.84	1 575 490	17.04
Public Security (police - fire department)	509 878	6.01	542 450	5.87
Road transportation	1 302 041	15.36	1 432 198	15.49
Urbanism, economic development and tourism	618 685	7.30	650 182	7.03
Recreation, culture and the « Salle de spectacles »	1 604 421	18.93	1 659 098	17.95
Social lodgings	59 750	0.70	69 750	0.75
HYGIENE				
Administration and maintenance	369 465	4.36	394 786	4.27
Solid waste-recyclable materials	548 567	6.47	564 440	6.11
DEBT				
Debt, temporary financing fees, operating fund	1 573 967	18.57	1 830 380	19.80
Debt subsidized by the government	462 973	5.46	526 518	5.69
TOTAL EXPENSES	8 477 085	100.00	9 245 292	100.00

DIVISION OF EXPENSES - 2023



THE 2023-2024-2025 THREE-YEAR CAPITAL EXPENDITURES PROGRAM							
DEPARTMENT	TITLE	COST	Sub-total	2023	2024	2025	GR. TOTAL
Fire Department	Safety equipment	3 000		3 000			3 000
	Fire station renovation - Electricity and lighting	50 000		50 000			50 000
			53 000				
Recreation	Tennis courts	15 000		15 000			15 000
	Arena repairs - Changing rooms and bathrooms	250 000			250 000		250 000
	Zamboni ice surfacer	150 000		150 000			150 000
			415 000				
	Installation of a permanent structure - Public market and sales booth	160 000		10 000	150 000		160 000
	Replacement of games modules	40 000		40 000			40 000
	Multi-use trail - West sector	50 000				50 000	50 000
	Development - Natural reserve	25 000		25 000			25 000
	Community garden	25 000		25 000			25 000
			300 000				
Tourist information Office	Paint and doors	20 000		20 000			20 000
			20 000				
<i>Salle de spectacles & Library</i>	<i>Salle de spectacles renovation - Ventilation</i>	<i>320 000</i>			<i>20 000</i>	<i>300 000</i>	<i>320 000</i>
	<i>Library renovation</i>	<i>265 000</i>	585 000	<i>15 000</i>		<i>250 000</i>	<i>265 000</i>
Public Works	Reconstruction of Melanson Street	40 000		40 000			40 000
	Piping reconstruction - Berry & de Lesseps	600 000		600 000			600 000
	Reconstruction - Pardiac Road	200 000			200 000		200 000
	Reconstruction- Range 4 West	1 200 000				1 200 000	1 200 000
	Updating - Pumping station 2	250 000				250 000	250 000
	Traffic lights - Saint-Edgar Road	50 000		50 000			50 000
	Snow removal truck				350 000		350 000
	Pick-up				50 000		50 000
	Restoration of the municipal garage	3 000 000				3 000 000	3 000 000
			5 340 000				
General administration	Capital expenditures from current revenues	78 000	78 000	26 000	26 000	26 000	78 000
	Renovation of the Town Hall - Lighting & heating	220 000	220 000	20 000		200 000	220 000
			7 011 000	1 089 000	1 046 000	5 276 000	7 011 000