



# Common Council Sustainability Plan Information Brief



SAINT JOHN

John Collin  
City Manager  
20 April 2020

# Work Undertaken

- Trade and Convention Centre Compliance Audit - Deloitte
- Sustaining Saint John, A Three-Part Plan – COSJ and GNB
- SJ Energy Current State Pricing Analysis - Deloitte
- SJ Energy Growth Agenda Review – Deloitte
- SJ Energy Growth Strategy Pricing Analysis - Deloitte
- Building a Sustainable Future for Saint John – July 2018 White Paper – COSJ
- Fair Taxation Report – October 2017, City Manager Report to Council
- Backgrounder, the Path Forward – Establishing the City of Saint John as a Resilient and Financially Sustainable City – August 2019
- Annual Workforce Report
- Saint John Regional Task Force Analysis – Gardner Pinfold
- Saint John Regional Industrial Analysis – Gardner Pinfold
- Operational Audit – EY
- Request for Expressions of Interest – TD Station
- Request for Expressions of Interest – Aquatic Centre
- Slack and Kitchen Report on Taxation
- Fair Tax Presentation to Provincial Law Committee on Machinery and Equipment Exemption – COSJ
- Restructuring Plan – City Manager’s Report
- Strong Cities, Strong Province – White Paper from Cities of New Brunswick
- Long Term Financial Plan and supporting plans and policies

# Since Issuance of “Sustaining Saint John – A Three Part Plan”

- Open Session of Common Council
  - Verbal updates regarding “sustainability”: 18
  - Continuous Improvement and “hopper” staff reports on “sustainability”: 46
  - Other staff reports regarding “sustainability”: 7
- Closed Session of Council
  - Staff reports regarding “sustainability”: 14



# Supporting Material

- For the purposes of this briefing
  - Tab A – Master PowerPoint Slide presentation
  - Tab B – Spreadsheets on Recommended Sustainability Initiatives and Standby Initiatives
  - Tab C – Fact Sheets on Recommended Sustainability Initiatives
  - Tab D – Fact Sheets on Standby Initiatives
  - Tab E – Heat Map on Recommended Sustainability Initiatives
  - Tab F – Heat Map on Standby Initiatives
  - Tab G – Regional Costs Report
  - Tab H – Industrial Costs Report
  - Tab I – Saint John Energy Audit - Current Status Pricing Analysis (Confidential – Not for public release)
  - Tab J – Saint John Energy Audit - Growth Agenda Review
  - Tab K – Saint John Energy Audit – Growth Strategy Pricing Analysis (Confidential – Not for public release)
  - Tab K(1) – Saint John Energy Audit – Industry Dividend Policy Comparison
  - Tab L – Ernst and Young (EY) Operational Audit – Final Report
  - Tab M – 2019 Annual Workforce Report

# Agenda

- Review of Restructuring Plan
- Update on Addressing the Deficit 2021/2022 (Prong 2)
- Update on Fundamental Reviews and Policy Development (Prong 1)
- Update on Transformational Reforms (Prong 3)
- Way Ahead and Next Steps
- Conclusion
- Recommendation:
  - “Receive and File”
  - Made available to public today (20 April)
  - Two weeks to discuss publically before any decisions made

# Caveat

- Impact of COVID-19
  - Full impact unknown at this time
  - Impact should be mainly in 2020 (less growth impact)
  - Some significant “lingering” effects into 2021 (ie: property assessments)
- Regardless of COVID-19, must solve 2021 and beyond



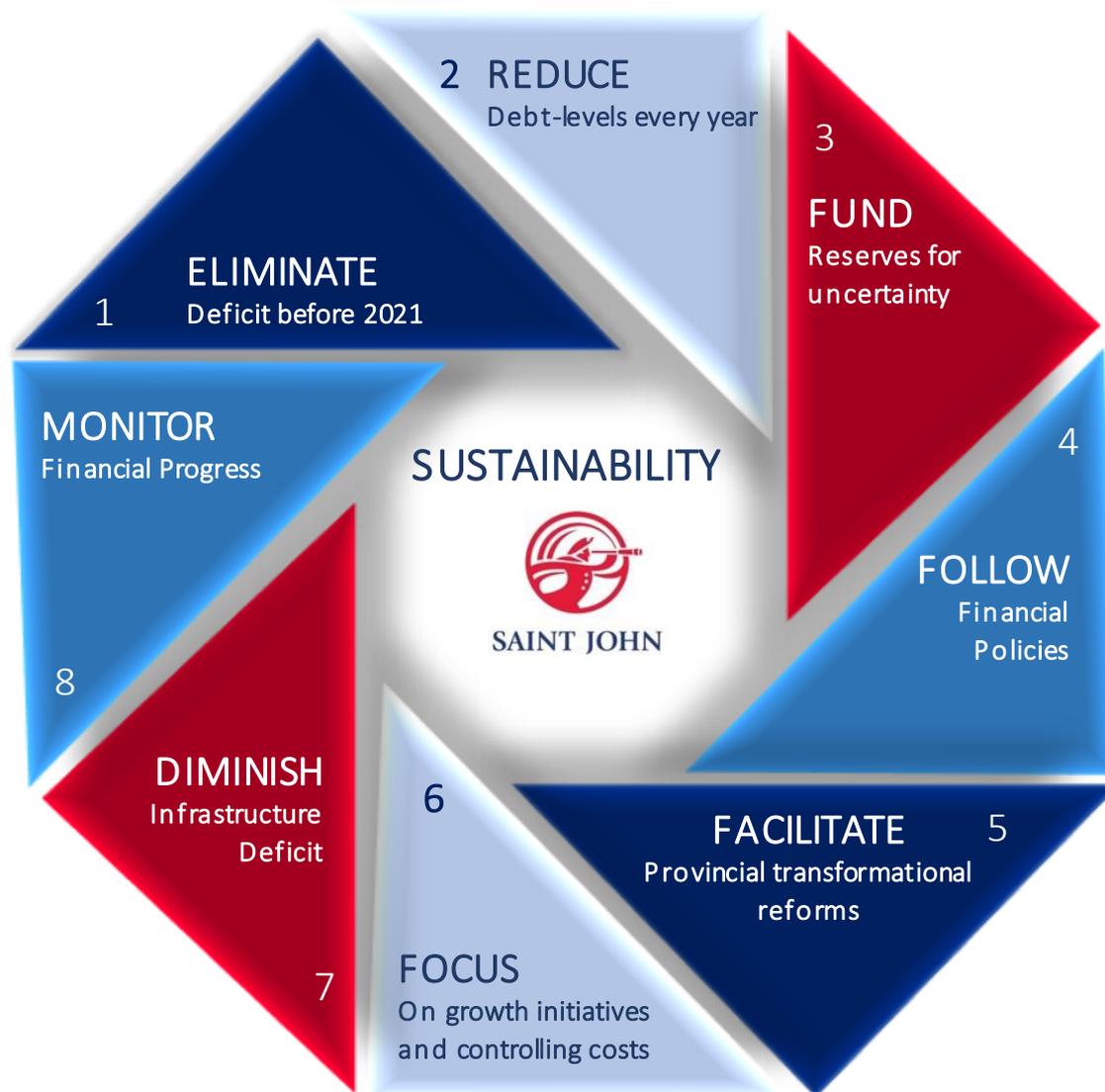
# Now more than ever.....City must improve its competitive advantage

- Change the narrative
  - Focus on positive
  - Eliminate the negative
- Have a viable, attainable, vision/strategy that resonates with existing community and potential future community members (residential and business)
  - Vision, improperly resourced, is nothing but an hallucination
- Solve the recurring deficits and long-term financial pressures
- Be disciplined in approach
- Reduce tax rate
- Control water and electrical rates
- Focus on growth and show we are controlling costs
- Build trust and confidence

*Addressing the budget for 2021 is NOT GOOD ENOUGH. Must resolve this once and for all*



# The “Sustainability Wheel” – Long Term Financial Plan



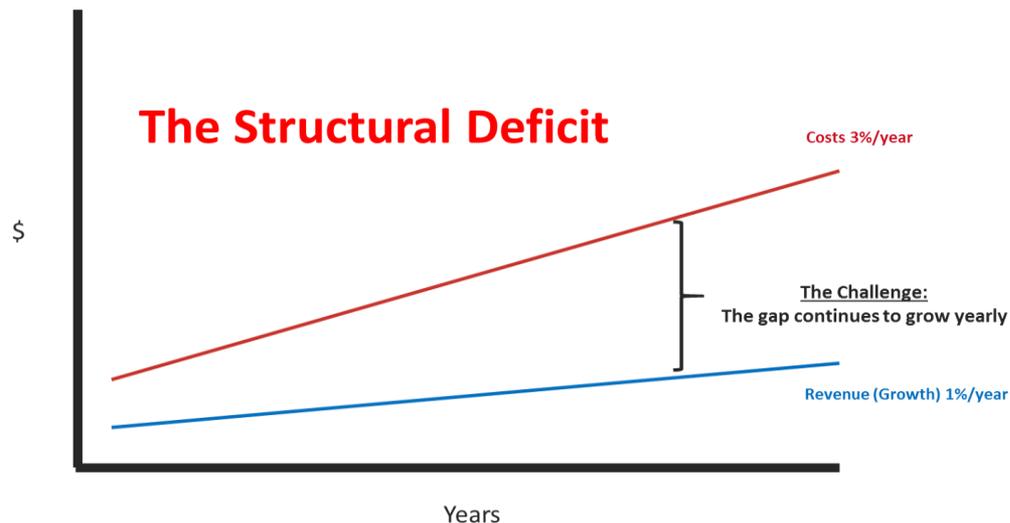


# The Restructuring Plan



# The Plan's Introduction

- Can no longer afford the status quo
- Current financial model is unsustainable
  - Costs grow annually at 3%. Revenue grows annually at 1% *(based on 5-year average)*
  - Every year, City considers more cuts
- Growth is key to success but costs must also be controlled
- Must have tax-based growth but revenue must be more than tax-base growth. Need regional cost sharing, regional shared services and empowerment to generate revenue
- Restructuring plan is not solely focused on balancing the budget for 2021 and 2022.
  - Must look longer term



# Overall Plan

- Three “Prongs”

- Term used to stress work on multiple fronts concurrently

- Prong 1

- Efficiency and effectiveness reviews
- Development of strategic financial policy

- Prong 2

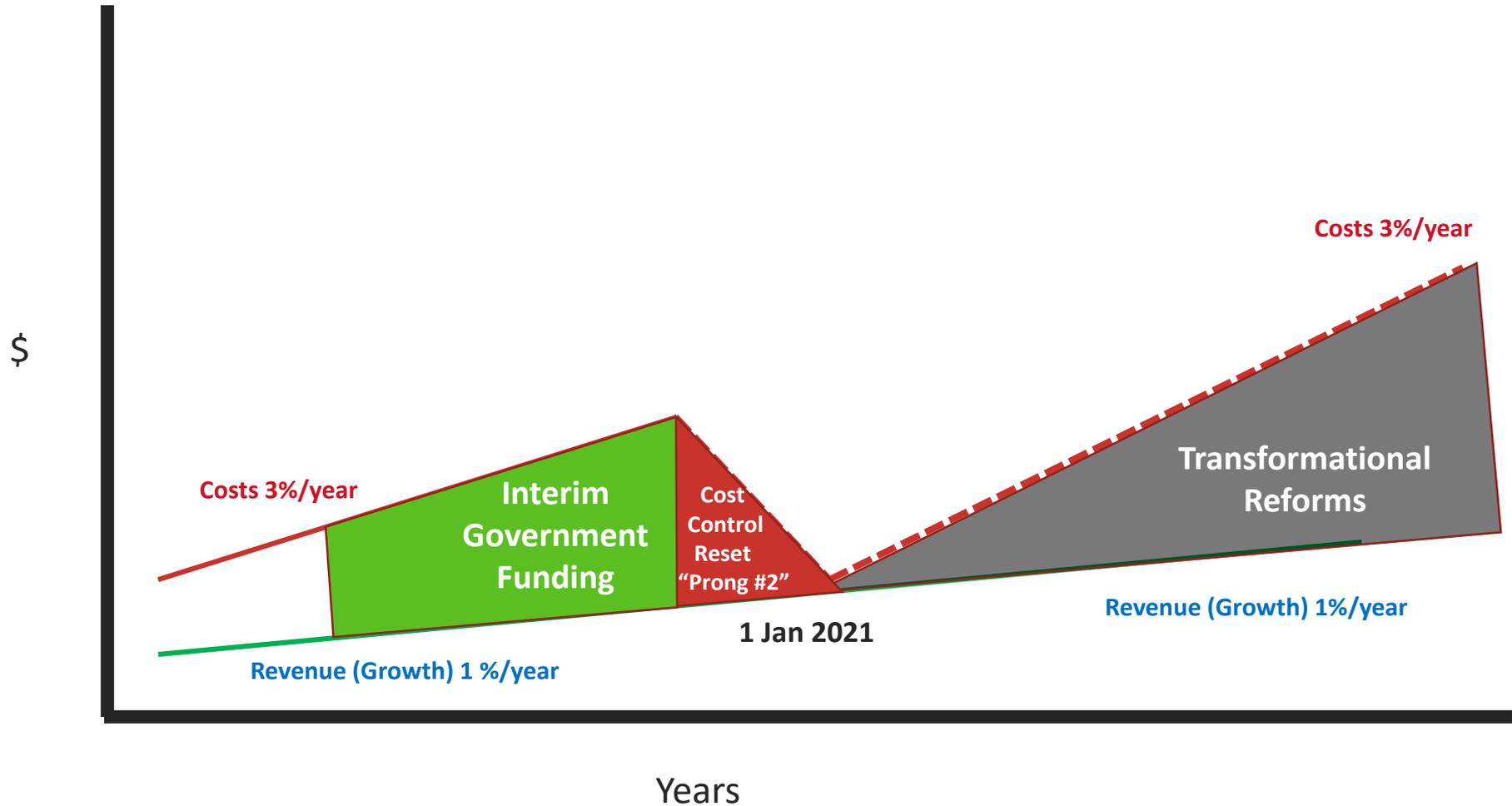
- Short-term sustainability initiatives to address deficit in 2021 and 2022

- Prong 3

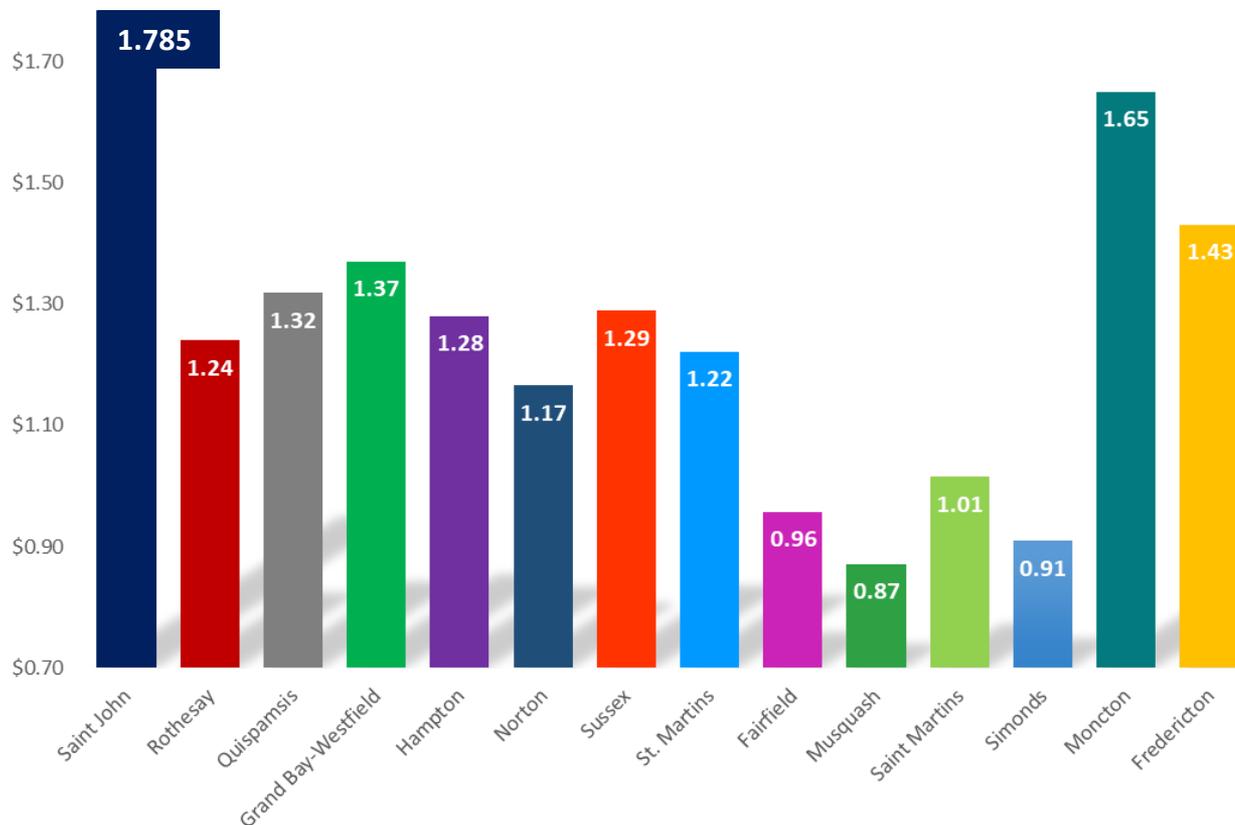
- Transformational reforms to solve “structural deficit”



# Addressing Our Long-Term Health



# It's Not Just the Deficit – Must Address the Tax Rate



**\$10 million to address our forecasted operating deficit in 2021**

\$10 million MORE to achieve Moncton's tax rate  
or  
\$27 million more to achieve Fredericton's tax rate  
or  
\$35 million more to achieve Quispamsis tax rate

***We are not competitive for residential or business growth!***

\*LSD property tax rates = Provincial rate of \$0.522 + Applicable LSD rate



# Prong 2

*Addressing the Deficit for 2021 and 2022*

# Prong 2 – Short-Term Sustainability

## “Balancing the budget for 2021 and 2022”

- Average annual deficit for 2021 and 2022 **forecasted** to be \$10 million annually
  - Highly dependant on property tax assessment growth in 2019 – figures will be known in late November 2020
  - *COVID-19 will likely have an impact on deficit*
- General Approach:
  - “All (viable) options on the table”
  - Every part of the organization and every service/function will contribute their share
- ***“Common Council will need to make all decisions on the short-term initiatives no later than the end of **March 2020**. This will allow the staff sufficient time to implement the decisions before 1 January 2021. Put another way, all initiatives to address the budget shortfall will occur at some point during 2020.”***



# Process for Recommendation

## Identify Potential Ideas

- Collection of ideas across the organization; including ABCs (over 80)
- Evaluation of ideas for degree of feasibility

## Introduce Ideas and Process

- Presentation to Council of over 60 ideas to address the deficit in 2021 and 2022

## Analyze and Rate Options

- Further analysis and preparation of business cases on ideas for Council's consideration
- Analysis of impact based on criteria by a single team, leading to "Heat Map" plotting

## Conduct Screening with Council

- Secondary screening of ideas by Council for further consideration
- Feedback from Council on each idea to develop plan



# Process for Recommendation

## Refine Sustainability Ideas

- Further analysis on sustainability ideas and continuous improvement initiatives: alternatives, impacts, additional data, benchmarking, feasibility, target

## Refine Criteria

- Refinement of selection criteria based on Council's feedback: impact on growth, priority neighbourhoods, recreation, quality of life, safety

## Develop Plan to Address Deficit (2021 -2022)

- SLT workshop to identify ideas that collectively address \$5 M (revenue and savings): weighed against refined criteria, achievability, data

## Prepare 'Standby' Plan

- SLT prioritization of remaining ideas to be considered based on achievability of implementation in 2020 in terms of timeline and target: criteria, feasibility, data



# Prong 2 – Short-Term Sustainability Initiatives

- **Four main themes**

- 50 % of the entirety of the deficit will be addressed through workforce adjustments and changes to personnel policies
- Where possible, the City will divest its infrastructure to avoid large operating deficits or to enhance revenues
- Revenue streams, within the limits of current legislation, will be enhanced; including non-resident user fees
- New and/or innovative approaches to the delivery of services will be pursued based on best practises in other communities and fundamental reviews



# Prong 2 – Short-Term Sustainability

## “Balancing the budget for 2021 and 2022”

- “Must Haves”
  - 6 months to complete implementation plans
    - Therefore, decision on overall strategy/option must occur by end May 2020
  - Initiatives that assure a return by 1 January 2021
    - If initiatives are problematic because of timing, external influences, or uncertain yields, they cannot form part of the plan to balance the budget
    - Initiatives that are not definitive will still be pursued and used for tax rate cut in future
  - Acceptance of approach that ....
    - “everyone contributes – everyone does their share”



# Prong 2 – “The First \$5 Million”

- Common Council decision that 50% of the entirety of the deficit to be resolved through workforce adjustments and changes to personnel policy

Organization	Target	Comment
Fire	\$1360k	Achieved through collective bargaining and/or reduction in size of workforce
Police	\$1175k	Assigned to Police Commission through notification of budgetary adjustment. Unlikely to be achieved through collective bargaining since Union has requested binding arbitration. Depending on results, likely will result in reduction to size of workforce
Local 18 (Outside Workers)	\$960k	Tentative Agreement in place. Requires approval of Council and ratification by membership
Local 486 (Inside Workers)	\$680k	Contract in place until end 2021 therefore reduction of 7-9 personnel required
Management and Professional Staff	\$840k	0% pay raise for 2021 and 2022 <b>and</b> reduction of 3-6 personnel
<i>Total</i>	<i>\$5015k</i>	

Note: Transit workforce contributions to entirety of deficit will be included as part of ongoing fundamental transit review and achieved through collective bargaining and/or reduction in size of workforce

# Prong 2 – “The second \$5 million”

Sustainability Options	Hopper	Plan	Council Meeting
<b>Revenue</b>			
1. Permit and Development Approval Fee Increases	\$80,000	\$80,000	December 2, 2019
2. Permit and Development Approvals, New Fees	\$35,000	\$13,000	February 24, 2020
3. Fire Fees for Service	\$45,600	\$30,000	November 18, 2019
4. Fire Fees for Emergency Response	\$90,000	\$90,000	February 24, 2020
5. Recreation Subsidization	\$300,000	\$260,000	December 16, 2019
6. On-Street Parking Increase	\$118,000	\$118,000	December 2, 2019
7. Parking Ticket Increase	\$123,000	\$127,000	December 2, 2019
8. Monthly Parking Increase	\$116,000	\$116,000	December 2, 2019
9. Non-Resident Differential Parking Fee	\$620,000	\$220,000	December 2, 2019
10. Adelaide Street	\$25,500	\$25,500	January 27, 2020
11. Heavy Vehicle Permits	\$0	\$1,000,000	
<b>Operating Cost Reduction</b>			
12. Rightsizing Rec Facilities – Rainbow Park Ice	\$10,000	\$10,000	November 18, 2019
13. Rightsizing Rec Facilities – Lawn Bowling	\$10,000	\$10,000	November 18, 2019
14. Arena Closure	\$155,000	\$155,000	December 16, 2019
15. Winter Street Maintenance	\$347,000	\$130,000	December 4, 2019
16. Asphalt Overlay Program	\$200,000	\$200,000	February 24, 2020
17. Suspension of Growth Reserve (2021 & 2022)	\$350,000	\$350,000	December 2, 2019
18. Freeze Goods & Services Budget Envelope	\$200,000	\$200,000	December 16, 2019
19. Transit Redesign	\$2,000,000	\$750,000	January 27, 2020
20. Casual Workforce Reduction (Parks & Recreation)	\$389,000	\$100,000	February 24, 2020
21. Casual Workforce Reduction (Works)	\$182,000	\$51,000	February 24, 2020
22. Council Budget Reduction	\$0	\$25,000	
<b>Sustainability Ideas Sub-total as February 24, 2020</b>	<b>\$5,396,100</b>	<b>\$4,060,500</b>	
<b>Continuous Improvement Initiatives (Total Envelope)</b>	<b>\$1,129,000</b>	<b>\$1,129,000</b>	
<b>Projected Revenue and Saving</b>	<b>\$6,525,100</b>	<b>\$5,189,500</b>	

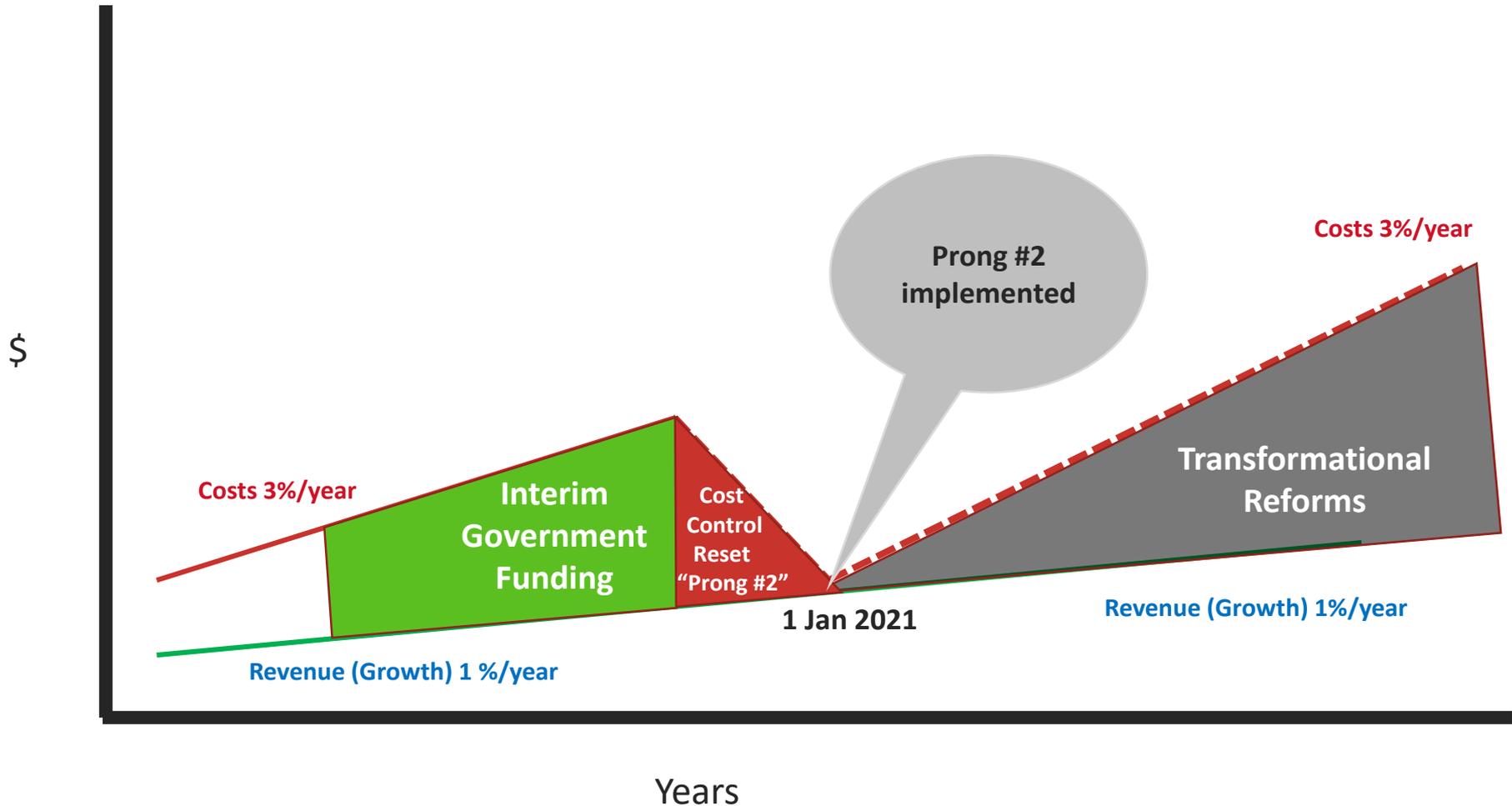
# Prong 2 – The Standby List

Priority	Sustainability Options	Hopper	Plan	Stand-by	Council Meeting
1	Asphalt Overlay Program (Phase 2)	\$200,000	\$200,000	\$150,000	February 24, 2020
2	Passport to Parks	\$35,000	\$0	\$35,000	November 18, 2019
3	Non-Resident Differential Parking Fee (Phase 2)	\$620,000	\$220,000	\$220,000	December 2, 2019
4	Casual Workforce Reduction (Works) (Phase 2)	\$182,000	\$51,000	\$40,000	February 24, 2020
5	Casual Workforce Reduction (Parks & Recreation) (Phase 2)	\$389,000	\$100,000	\$89,500	February 24, 2020
6	Grants - Other	\$45,000	\$0	\$45,000	December 2, 2019
7	Permit and Development Approvals, New Fees (Phase 2)	\$35,000	\$13,000	\$20,000	February 24, 2020
8	Transit Redesign (Phase 2)	\$2,000,000	\$750,000	\$250,000	January 27, 2020
9	Playground Program	\$90,000	\$0	\$42,000	November 18, 2019
10	Casual Workforce Reduction (Works) (Phase 3)	\$182,000	\$51,000	\$91,000	February 24, 2020
11	Casual Workforce Reduction (Parks & Recreation) (Phase 3)	\$389,000	\$100,000	\$199,500	February 24, 2020
12	Winter Street Maintenance (Phase 2)	\$347,000	\$130,000	\$217,000	December 4, 2019
13	Asphalt Overlay Program (Phase 3)	\$200,000	\$200,000	\$150,000	February 24, 2020
14	Community Centres	\$70,000	\$0	\$68,463	January 27, 2020
15	Grants - Development Incentives and Heritage	\$300,000	\$0	\$300,000	December 2, 2019
16	Grants - Community Arts	\$19,721	\$0	\$19,721	December 2, 2019
17	Grants - Community Events	\$16,500	\$0	\$16,500	December 2, 2019
18	Grants - Event Sponsorships	\$17,500	\$0	\$17,500	December 2, 2019
Total Standby				\$1,971,184	

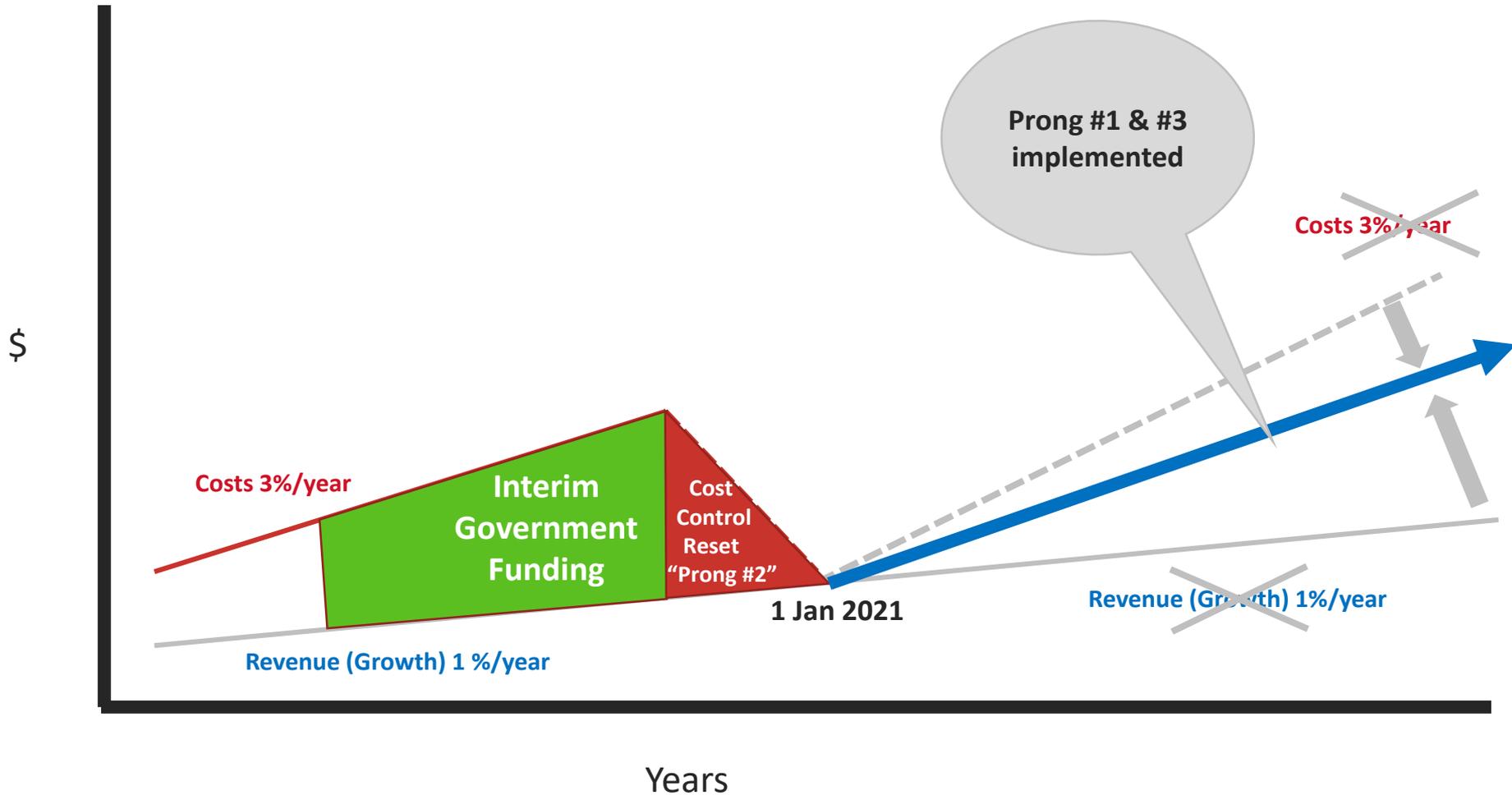
# Prong 2 – Continuous Improvement Initiatives

Continuous Improvement	Target
Third Party Contracted Services – Electrical	\$30,000
Cell Phone Optimization	\$50,000
Sports Field Lining	\$10,000
Fire Training Academy	\$23,000
Reduce Police Fleet Maintenance	\$50,000
Reduce Police Headquarters Operating	\$75,000
Building Demolition In-sourcing	\$36,000
Medical Call Response Criteria	\$10,000
Translation	\$23,000
Greening the Fleet	\$50,000
Fire Training Phase 2	\$77,000
Library - West Branch	\$30,000
Regional Fire Dispatch	TBD
Reduce Employee Training Related Costs	\$50,000
Contracted Services	\$172,000
Administrative Penalties	TBD
Cost Recovery for City Support at Events	\$10,000
Fire Insurance Recovery (Fire Marque)	\$50,000
Leverage Uptown Saint John	\$25,000
Fleet Optimization	\$300,000
Other Contract Service – SJE Lights	\$58,000
<b>Projected CI Totals as of February 10, 2020</b>	<b>\$1,129,000</b>

# Just "Cutting" does not solve "Structural Deficit"



# Transformational Reforms Must Occur





# Prong 1

*Fundamental Reviews and Policy Development*

# Prong 1 – The Strategic Financial Policies/Plans

- **Wage Escalation Policy**
  - to ensure that future salary increases are affordable.
- **Debt Management Policy**
  - to discipline future spending where borrowing will be required so as to control our overall debt
  - to lower our debt over time.
- **Asset Management Plan**
  - to improve our understanding the state of our infrastructure
  - to prioritize maintenance, capital repair and capital replacement
- **Capital Budget Policy**
  - to ensure capital budget decisions are prioritized based on evidenced-based information
  - to limit type of borrowing allowed
- **Operating Budget Policy**
  - to mitigate the risk of additional structural deficits by forbidding the funding of operating expenses with one time revenue
- **Reserve Policy**
  - to support long-term funding strategies by promoting saving today to spend tomorrow rather than continuing the City's heavy reliance on debt.
  - to allow the City to set funds aside for unexpected future events, and therefore reducing the risk of future deficits
- **Investment Policy**
  - to ensure the City maximizes return on investment while minimizing risk
- **Long-Term Financial Plan**
  - to provide a roadmap with anticipated outcomes for financial decision making to look out ten years.



# Prong 1 – What's Next for Policies

- Discipline to follow the financial policies
- Vision and Strategy overarching document
  - More than just finances ...where do we wish to be in 2030?



# Prong 1 – The Reviews

- Review of all agencies, boards and commissions
  - to find efficiencies and to improve effectiveness
- Review of our economic development framework
  - to achieve better alignment and synergy amongst the various stakeholders
- Review of the organizational structure of City Hall
  - to reduce its size and yet maintain its effectiveness
- Review of all infrastructure
  - to enhance asset management
- Complete an operational audit (with provincial funding)
  - to identify viable cost savings



# Prong 1 – Where to Use Funding Adjustments?

- Two reviews have assurance of savings by **1 Jan 2021**
  - Therefore value included in Prong 2 (Addressing the 2021 and 2022 deficit)
    - **Structure Review**
    - **Transit Review (\$750k)**
- Remaining reviews unknown when savings will occur
  - Therefore **must not** be considered in Prong 2 but can be included in Prong 3 (Transformational reforms)
    - **Review of Agencies, Boards and Commissions (other than Transit)**
    - **Adoption of new Economic Development model**
    - **Implementation of recommendations from Operational Audit**
    - **Asset Management**





# Agencies Boards and Commissions (ABCs) Review

# Review of all Agencies, Boards and Commissions

to find efficiencies and to improve effectiveness

- Mainly small to medium deficiencies/improvements identified
  - Will be addressed as time permits in 2021 and 2022
- Regional Facilities continues to be primary focus. CSJ subsidizes operating deficits annually
  - Trade and Convention Centre \$625k
  - Imperial Theatre \$367k
  - TD Station \$602k
  - Aquatic Centre \$682k
  - Arts Centre \$139k
    - Total CSJ subsidy for 2020 \$2.415 million
    - Region contributes approximately an additional 33%
- Transit and Parking Commissions also a key focus
  - Operating Subsidy \$5.6 million
  - Debt Subsidy \$2 million





# Transit

*Savings to be used to help address 2021/2022 deficit (Prong 2)*

# Transit Operational Review: Objectives

Determine the most efficient and effective manner of managing and operating the system in order to enhance reliability and accessibility for riders, limit travel times, and provide service where and when it is most needed, while minimizing spending.

- Robust stakeholder engagement
- Industry peer insights and best practices

All-encompassing review, including:

- Routes
- Schedules
- Fleet
- Fares
- Service Delivery
- Staff Functions
- Marketing
- Technology
- Operations and Maintenance



# Transit Operational Review: Work Plan

February 2020



Task 1: Project Kickoff



Task 2: Background Review

March 2020



Task 3: Stakeholder Engagement



Task 4: Visioning, Strategy, and Objectives



Task 5: Service Delivery Evaluation



Task 6: Internal Operations Evaluation



Task 7: Structural Assessment



Task 8: Operating Cost Modeling

August 2020



Task 9: Final Report



# Transit Operational Review: Deliverables



Independent, professional analysis to develop recommendations for implementation:

- Savings through efficiencies
- Effectiveness through innovation

Informed decision-making:

- Stakeholder input to identify community needs (on-going focus groups, rider outreach, public open house)
- Data analysis
- Strategic approach to support growth and a vibrant, safe city



# Transit Review – Minimum Requirements

- Initial demand
  - Explore opportunities to cost-avoid up to \$2 million
- Updated Requirement
  - Cost-avoid \$750k minimum
    - Workforce adjustments should be majority contributor
  - Be prepared to cost avoid an additional \$250k if required (standby list)
- *Exploring transfer of Transit to City (removing Transit Commission) for efficiencies and enhanced effectiveness*
  - *Transit Commission supportive in principle*
  - *Pensions are a major consideration*
  - *Staff Report to Council ....for decision on 4 May 2020*





# Structural Review

*Savings to be used to help address 2021/2022 deficit (Prong 2)*

# Structure Review

- Initial Focus is on City Hall – not operational entities
  - Review of operational entities to follow
- Effort is on finding efficiencies while enhancing effectiveness where critically necessary
  - “Find savings in positions while addressing some critical gaps”
- Housekeeping
  - Remove all regular recurring temp/casual positions and use “regular full time” employees where possible
- General overview/approach developed
  - Detailed implementation plan and amendments to follow

Grow the City, Serve the City. Become the Community of Choice

**Common Council**

**City Manager**

**Chief Economic Development Officer**

**Common Clerk**

**General Counsel**

City Solicitor  
Legal Services  
Risk Management  
Contracts and Compliance  
Real Estate

**Commissioner Growth & Community Services**

Strategic Growth  
Land Use Planning  
Community Standards  
ED Liaison and Support  
Permitting and Licensing  
Heritage Conservation  
Infrastructure Dev  
Recreation Prog  
Arts and Culture  
Community Dev  
City Market

**Growth**

**Commissioner Transportation & Public Works**

Transit  
Parking  
Pedestrian & Traffic  
Fleet Maint  
Roadway Maint  
Sidewalk Maint  
Rec Facilities Maint  
Solid Waste Mgt  
Landscaping  
Storm Water Rural

**Transit and Active Transportation**

**Commissioner of Public Safety and Fire Chief**

Fire Prevention  
Fire Response  
Hazmat  
Technical Rescue  
EMO

**Public Safety**

**Commissioner Utilities and Infrastructure**

Engineering  
Drinking Water  
Industrial Water  
Storm Water Urban  
Waste Water  
GIS  
Facilities Mgt  
Asset Mgt  
Climate Change

**Chief of Staff and Chief Financial Officer**

Admin Services  
Financial Services  
Internal Audit  
Pension Admin  
Supply Chain Mgt

**Finance**

**Communications**

Strategic Comms  
Public Affairs  
Internal Comms

**Director Innovation, Customer Service and CIO**

**Manager Integrated Customer Service Centre**

Customer Service  
Continuous Improvement  
Performance Measurement  
IT and Cyber  
Transformational Projects

**Director Strategic Affairs**

Strategy Development  
Gov't Relations  
Special Projects  
Risk Management

**Commissioner Human Resources**

Human Resources  
Safety  
Payroll

 = Council and Recommended Sub- Committees

# New Structure Achieves .....

- Enhanced customer service through Integrated Customer Service Centre
- Enhanced contract development, compliance and monitoring
- Enhanced cyber defence
- Enhanced strategic planning and intergovernmental relations
- Enhanced communications/public affairs/branding
- Enhanced emphasis on public safety
- Increased emphasis on HR management (“care of our people”)
- Centralized engineering function
- Centralized administrative support (where possible)
- Centralized maintenance and fleet coordination
- Centralized approach to all infrastructure management
- Reconfigured continuous improvement (to performance management)
- Shared services with Saint John Police (TBC – planning ongoing but decision not made)
- Transfer of Transit & Parking to City Hall (TBC – planning ongoing but decision not made)
- Transfer of “parks and recreation” programming to Growth and Community Services
- Transfer of City Market to Growth and Community Services

# New Structure Achieves ..... *(preliminary calculation)*

Employee Group	Current Budgeted Positions	Additional Personnel in Current Structure	New Structure	Net Savings of Personnel	Wage Savings
Management and Professional Staff	92	2.5 Full-time long-term casuals	89	5.5 FTEs	\$911,977
Inside Workers (Local 486)	110	3.25 short-term casuals	101	9 FTEs	\$826,565

Management	Salaries	Fringe	Special Pension	Management Total
2020 Budget	\$9,819,529	\$2,482,029	\$1,669,320	\$13,970,878
Anticipated 2021 Costs	\$9,164,141	\$2,336,856	\$1,557,904	\$13,058,901

Inside Workers	Salaries	Fringe	Special Pension	Inside Worker Total
2020 Budget	\$7,218,155	\$1,813,682	\$1,227,086	\$10,258,924
Anticipated 2021 Costs	\$6,619,199	\$1,687,896	\$1,125,264	\$9,432,359



# Regional Facilities

*Savings to be used to help to address long-term sustainability (Prong 3)*

# Review of all Agencies, Boards and Commissions

to find efficiencies and to improve effectiveness

- Regional Facilities focus
  - Trade and Convention Centre(\$586k)
    - External audit complete
    - Reviewing “Findings” and exploring options for efficiencies
  - Imperial Theatre (\$367k)
    - Asked Theatre to provide impact of modest to complete reduction in subsidy
    - Analysis ongoing
  - TD Station (\$602k)
    - Expressions of Interest complete. Confidential direct negotiations commenced
  - Aquatic Centre (\$625k)
    - Expressions of Interest complete. Confidential direct negotiations commenced
  - Arts Centre
    - Analysis ongoing
- City Manager aspirational target.....
  - Reduction in total costs of minimum of 50%, equating to savings of \$1.2 million annually while maintaining operation of all regional facilities
    - Secondary benefit to outlying municipalities – who would in turn pay less
- Details to follow, timeline unknown
  - COVID-19 impact possible





**Economic Development**

# Review of our Economic Development Framework

to achieve better alignment and synergy amongst the various stakeholders

- Concept paper developed and unanimously supported by Economic Development Strategic Advisory Council
- One Vision, One Board, One CEO, One Budget, All Functions, Regional Focus, with CSJ as the Anchor
- If implemented – tremendous potential
  - 2<sup>nd</sup> largest ED organization in Atlantic Canada
  - Only ED organization to fully integrate all functions including tourism and population growth
  - [Opinion of academia and business community that this will help propel growth in significant ways](#)
- Need Regional Support/Approval for implementation and funding
- Awareness and consensus building ongoing through 3<sup>rd</sup> party contractual arrangement
- Optimistic response from municipalities
- Two key points still unresolved (cost-sharing formula and governance)
- Require decisions of Councils (and support of GNB for LSD participation) by May 2020





# Operational Audit

# Complete an Operational Audit

to identify viable cost savings

- Ernst & Young awarded contract
- Three parts
  - Benchmarking
  - Key challenges
  - Operational efficiencies
- Minor slippage to timeline
  - Key Findings 28 Feb 2020
  - Draft Report 19 Mar 2020
  - Final Draft Report 31 Mar 2020
  - Final Report 17 Apr 2020 (Province to officially release report once translated)
- Province and City fully engaged in feedback process
- Significant undertaking for City staff due to data collection requirements and validation obligations
  - Tremendous support to project
- **Overall, City staff substantially supportive of audit report**
- **Sincere thanks to effort, detail and professionalism displayed but audit team from EY**



# EY Audit Results

- Challenges identified not a surprise – nothing new to City
- Recommendation to act decisively and emphasize focus on growth
- Clear communications (change management) will be essential
- Staffing levels can be reduced without affecting service levels when more productive ways to deliver the same services can be implemented
- Acknowledgement of significant gains already obtained
- Acknowledgement that long-term financial planning has enabled great strides towards sustainability
- Recommendation to continue to drive those efforts to support overall plan

# EY Audit

- Sustainability cannot be obtained through “easy-to-implement” changes
- Foundational changes necessary
- Eleven business cases developed ....in the long term .....

The consolidated opportunities are noted below: (000's)

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
\$8,380 - \$9,880	\$12,400 - \$17,800	\$5,300 - \$9,400

# EY Audit – recommendation to implement a small number of larger changes rather than a large number of smaller projects.

- Debt reduction significant opportunities **depending on market demand**:
  - Buildings – out of 77, explore 19 – (\$5 to 6 mil).
  - Lands – out of 1,500 parcels, explore 41 (some already rejected by Council) (3.2 to 3.7 mil).
- Cost optimization, **subject to further analysis in many cases....**
  - Fire Service – call process enhancement, staffing model optimization, reduction of two tankers and two engines and closing one station (4 to 5 mil).
  - Police Service – expand civilianization, 11 hour shift (1.5 to 1.7 mil).
  - Procurement – shared services, contract management, red tape reduction and strategic sourcing (1.2 to 4.4 mil).
  - Public works – optimize solid waste, winter road maintenance cost management, efficiency and improvements through workforce and casual reductions (3.5 mil).
- Revenue generation, **dependant on province**:
  - SJ Energy – 50% dividend similar to other municipal utilities, with growth agenda and increased power rate (4.5 to 8.2 mil)

# Operational Audit – Next Steps

- Prioritize work
- Detailed analysis of all recommendations
- Action Plan for recommendations
- Continued work on shift in culture
  - *“It’s all about growth”*
  - *“Control costs”*
  - *“Be innovative”*
  - *“Resist the status quo”*
  - *“Accept the need to invest to make or save money”*
  - *“Accept risk”*
  - *“Break down silos”*
  - *“Make tough but smart choices”*
  - *“One team, one vision”*





**Saint John Energy**

# Review of all Agencies, Boards and Commissions

to find efficiencies and to improve effectiveness

- Saint John Energy
  - Independent audit (Deloitte)
  - Two main objectives
    - Validate the growth agenda
    - Determine total value of the asset
  - Reports on the two objectives completed
  - Options
    - Status quo, and enable growth agenda
    - Sell the utility
    - Increase rates and flow dividend to property tax reduction
  - **Options analysis and recommendation to be completed**



# SJE – Option #1

- **Status Quo Rates/Enable Growth Agenda/Transfer Dividend to City**
- \$7.4 million residential/commercial benefit to lower power rates
  - approx \$200 per year per household compared to NB Power
  - No direct benefit to City
- \$2 million benefit to City for its own power consumption on lower rates
- SJE growth agenda estimate (validated by Deloitte) is \$500k initially, growing to approximately \$7 million annually over next 10 years
  - There is risk with growth agenda
  - SJE must borrow to fund Capital projects (approx \$60 million)
- Transfer of growth agenda revenue (dividend) to City may require legislative change
  - Problematic based on comments by provincial authorities

# SJE – Option #2

- **Sell Utility**
- Unsolicited indicative bid (bid value remains confidential)
  - Includes rate freeze for three years
  - Accepts becoming regulated industry, therefore NB Power rates thereafter
- Deloitte evaluation complete (value remains confidential)
  - With and without growth agenda
- If sold, equity invested into a locked-in endowment, use the dividend
  - \$2-\$5 million annually to City *(total dividend minus \$2 million rate reduction benefit)*
- No legislative change required

# SJE – Option #3

- **Adopt NB Power Rates/Transfer Dividend to City and Enable Growth Agenda/Transfer Dividend to City**
- \$7.4 million residential/commercial benefit to lower power rates
  - approx \$200 per year per household compared to NB Power
  - No direct benefit to City
- GNB supportive and would allow transfer of dividend to City for raised rates
- How to use dividend. As an example....
  - \$6.7 million to lower 10 cents on tax rate – equates to current average property energy saving
  - \$700k as compensation fund for lower income who do not own property but yet pay for electricity
- More analysis required on relative benefits of lower utility rates versus lower property tax rates - ongoing



# SJE – Next Steps

- Establish Task Force to analyze options and provide recommendations to Common Council and Provincial Government
- Task Force composition
  - City staff
  - GNB staff
  - NB Power
  - SJE
  - Facilitator



# Prong 3

*Transformational Reforms*

# Prong 3 – Transformational Reforms

- **Comprehensive property tax reform**
  - Provincial commitment to complete by end 2022
  - Questions on
    - Industrial contributions
    - Tax revenue distribution between province and cities
    - Differential rates
    - Exemptions
    - Assessment practices
    - **Property value inversion**
- **Regional cost sharing**
  - 15,000 - 18,000 work commuters enter the city daily. 33,000 people travel into City daily, placing wear and tear on our infrastructure and requiring some of our services
  - 30%-35% of all users of our subsidized recreational facilities are non-residents and therefore pay no taxes towards the subsidizations from which they benefit
  - Region benefits from the industry inside City yet City shoulders costs associated with that industry
- **Regionalisation of services**
  - Only 130,000 people in Region yet we have at least three of everything when it comes to providing services (fire, police, EMO, waste management, road works, etc)



# Example: Two Similar Properties

Quispamsis



Assessment:  
\$234,600

Saint John



Assessment:  
\$183,200

# Prong 3 – Transformational Reforms

- **Wage escalation control**

- All of our workgroups have seen significant pay raises over the past 15 years
- Common Council has approved a wage escalation policy.
  - This policy will only be transformational once it is embraced by all and the City has the discipline and tools available to adhere to this vital policy

- **Binding arbitration reform**

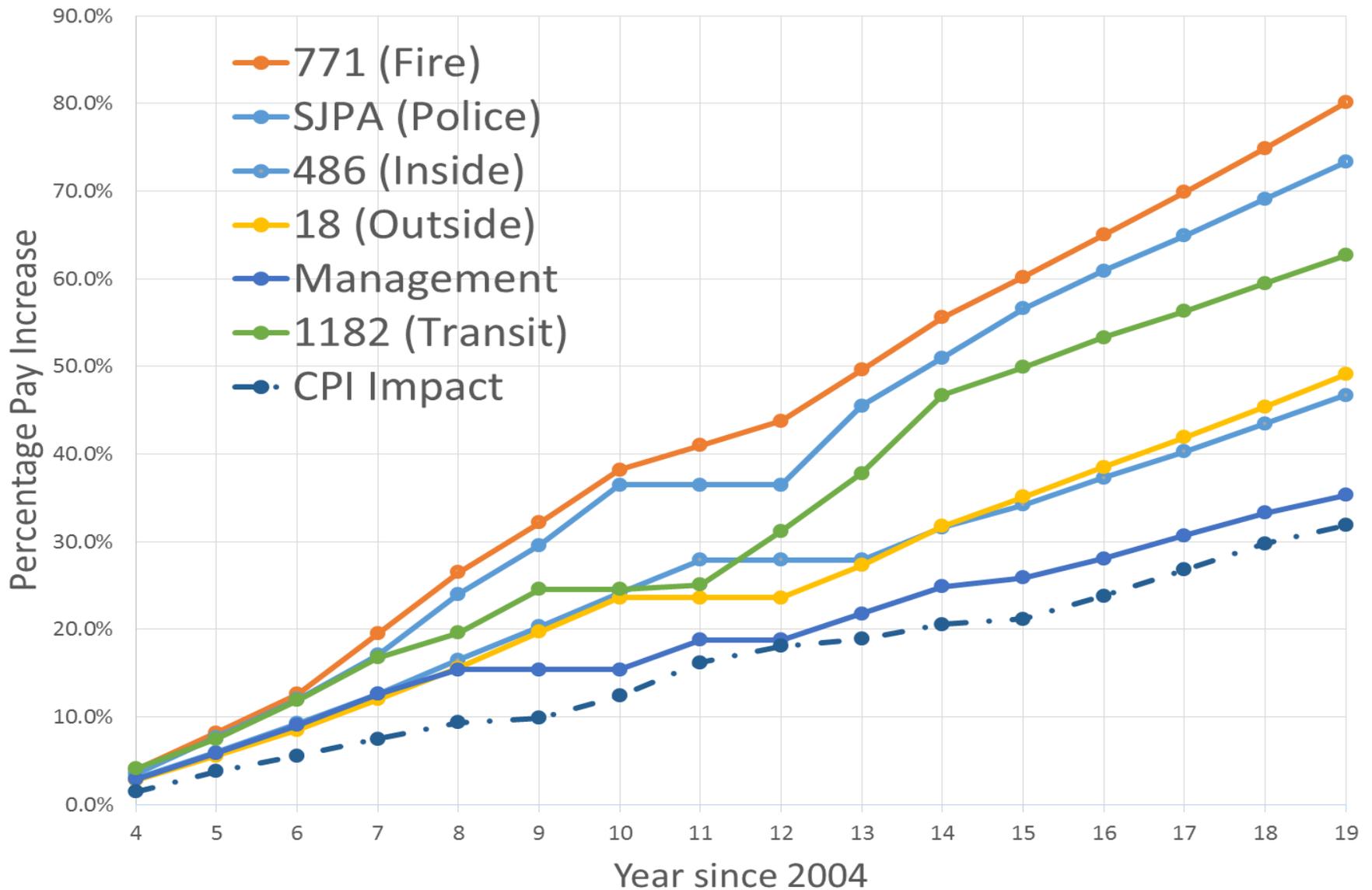
- The unintended consequence of the Act has been approximately 70- 80% cumulative pay raise for police and fire over a 15 year period.
- During that same 15-year period, CPI has increased by only 27.5%
- The eight cities of New Brunswick all support changes
- **No intent to limit free and open bargaining nor to remove the right to binding arbitration.**
- Provide list to arbitrators of criteria to consider .....including affordability to municipality

- **Empowerment of cities to generate own revenues**

- Must diversify revenue streams



# CPI and Wage Trends – City of Saint John 2004 – 2019





**Regional Management Task Force**

# An Adjunct to Prong 3 - Regional Management Task Force

- Objectives

- To achieve comprehensive and equitable service cost-sharing through the engagement of regional governance partners; and
- To establish a collaborative regional planning and priority-setting framework on service-sharing, and other areas of common interest through this forum.

- Composition

- Experienced facilitator appointed by the Province
- Mayors and Chief Administrative Officers of Region (including Hampton and St. Martins)
- A representative appointed by the Minister of Environment and Local Government to represent the interests of the Local Service Districts in the region.
- The Government of New Brunswick will provide oversight and advisory support to the Regional Management Task Force

- Deliverable

- A signed agreement, delivered to the Province by March 31, 2020.
- *Interim report by 31 January, 2020*

# An Adjunct to Prong 3 - Regional Management Task Force

- Current Status
  - Useful discussion to enhance understanding, improve regional awareness and identify challenges
  - Only 6 meetings since September 2019
    - One of which was a one-day workshop not directly related to Regional issues
  - **No concrete recommendations on regional cost-sharing**
  - **No concrete recommendations on a shared regional services framework or initiatives therein**
- Next step was to be.....
  - Provincial commitment to “re-assess” March 2020
  - Delayed due to COVID-19





**Gardner and Pinfold  
Regional and Heavy Industry  
Analysis**

# Third-Party Regional Analysis

- Need identified through staff deliberations and Regional Management Task Force discussions
- **CSJ Assertion** .....There are associated costs borne by City for being Regional Hub and having heavy industrial footprint
  - What is the total cost?
  - Rudimentary staff analysis last spring stated \$6-\$12 million to be regional hub. Cost of hosting heavy industry not examined by staff
- **Regional Perception**..... CSJ is mismanaged and wastes money
  - How does City benchmark against others?
- Third Party regional analysis commissioned by Province
- Two reports produced
  - Cost to City for being a regional hub
  - Costs to City for being province's heavy industrial base

# Costs as Regional Hub

- Key factors.....
  - Approximately 15,000 - 18,000 work commuters enter City daily.  
33,000 people travel into City daily
    - Wear and tear on roads
    - Increased population and vehicle traffic requires increased fire and police
    - Some (limited) additional solid waste management
  - Approximately 30%- 35% of all users to recreational facilities are non-residents
    - All recreational facilities are subsidized by the City



# Costs as Regional Hub

- Benchmarking Data
- “ ... per household basis Saint John parks costs are lowest in the group, recreation is in the middle, police costs are also in the middle, and fire services costs are highest. Saint John costs per paved lane-km of road is above the middle, and cost for winter storm management is in the middle of the group.”
- **“Service metrics are not necessarily calculated the same way across municipalities so results are interpreted with caution.”** *(Gardner Pinfold)*
- Key conclusions from benchmarking data
  - Overall, we are aligned with costs experienced in other communities
  - Therefore, in comparison, the City is **not** mismanaging its expenditures
  - Some areas deserve a more in-depth analysis (similar findings in Earnst and Young operational audit)



# Costs as Regional Hub

- Additional costs to service residents that come from outside Saint John are estimated at **\$12.3 million**
  - \$3.7 million in road costs
  - \$1.8 million in parks and recreation costs
  - \$6.8 million in police, fire, and other costs
- Costs of Economic Development. In 2018 .....
  - City has been paying over 90% of all economic development costs for the region yet
    - For every 100 jobs created in the City, approximately 40 will live outside City
    - Growth rates in outlying towns consistently outperform growth rate in City



# Staff Recommendations

- Data shows over \$12 million of costs incurred
- Recognizing that some calculations can be debated, there is scope for some reductions
- Recommend that Province impose cost recovery of a minimum of \$6 million for 2021
- Recommend that Province impose \$8 million cost recovery for 2022
- Recommend that Province re-examine/analyze actual costs incurred in time for necessary adjustments in 2023
- Recommend province use one of the following two methods to collect cost-sharing
  - Levy on tax bills
  - Select tolls on roads
- If cost-sharing implemented, recommend no regional fees paid to City, and no differential rates or user fees imposed by City on regional partners



# Select Tolls on Road

- Toll designed to capture costs of work commuters on daily basis
- Electronic toll booths installed on major entry routes into the city – not on exit routes
- Tolls active from 5am to 9:30am daily
- Saint John residents receive free pass
- Non-residents can purchase monthly discounted pass
- Approximate fee of \$2 per use when tolls active
- **Total income (revenue minus costs) limited to approximately \$4-\$5 million**
- Should not affect those entering City to use regional facilities, hospitals, restaurants or commercial/business enterprises



# Saint John Levy

- 52,870 households in the CMA
  - 30,210 located in the City
  - 22,660 households outside the City
- To recover \$6 million, household levy of \$265 average annually
- To recover \$8 million, household levy of \$353 average annually
- Could be pro-rated based on property assessments



# Costs of being Province's Heavy Industrial Base

- Key Factors .....
- Increased fire and emergency response risk profiles – necessitating larger response capabilities and specialized training
- Increased wear and tear on road infrastructure due to heavy vehicle use
- Decreased property values (property value inversion)



# Example: Two Similar Properties

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Saint John



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# Costs of being Province's Heavy Industrial Base

- Fire and emergency response additional costs
  - \$1.7 million annually
- Infrastructure maintenance and repair (roads and bridges)
  - \$2.5 million annually
- Lost property tax revenue from depressed property values
  - \$32 million annually

*Note: Heavy industry contributes approximately \$12 million in property tax to the City annually*



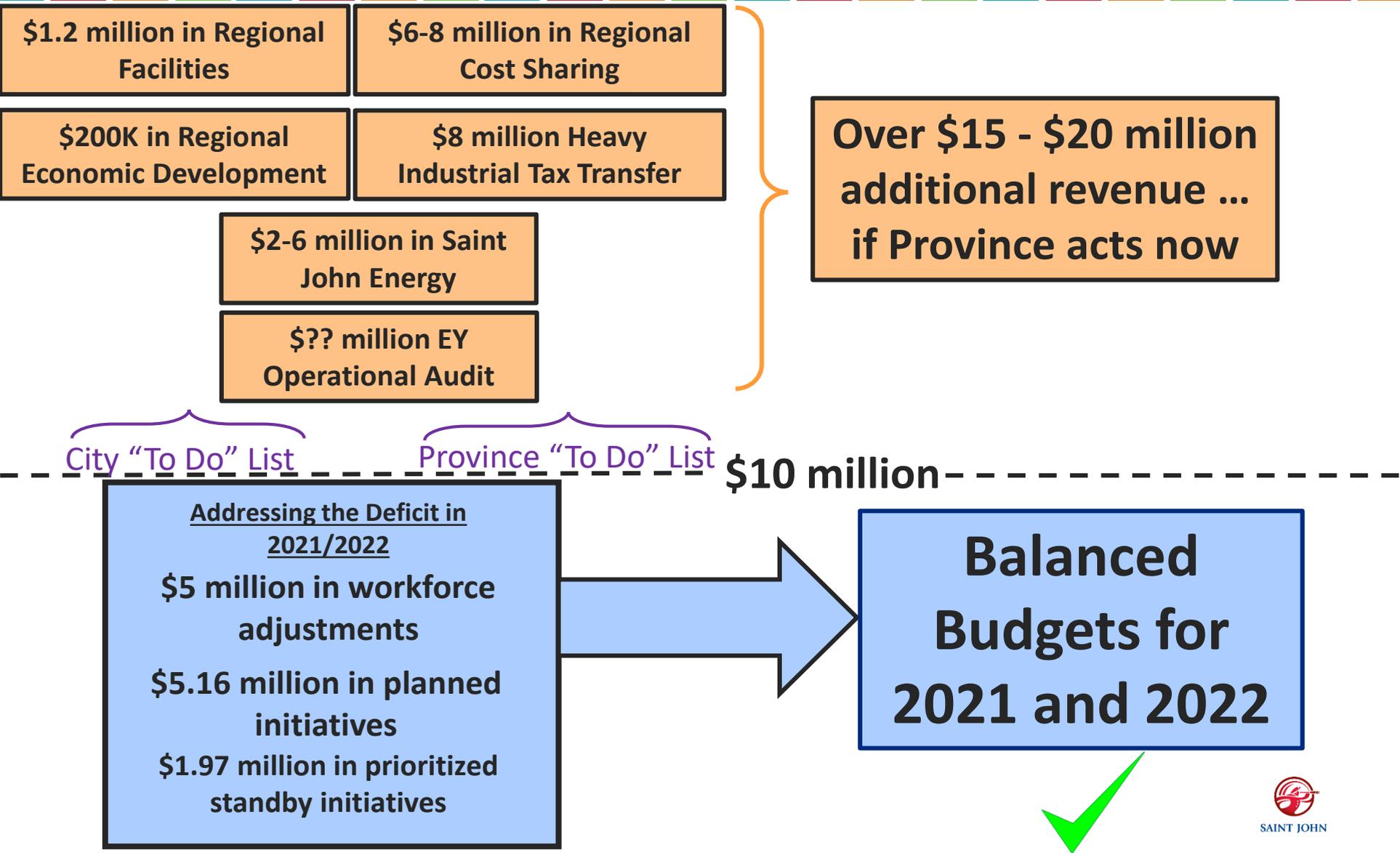
# Staff Recommendations

- Continue to vigorously pursue comprehensive property tax reform to address the cost of heavy industry and other challenges within current property tax system in New Brunswick
- In the interim, recognizing the reform will take time, seek immediate transfer of the provincially retained heavy industry property tax for heavy industry within City limits
  - Estimated at \$8 million annually
  - Used as a trial project to spur growth until comprehensive property tax reform implemented
  - Growth benefits province greatly through income taxes, HST, payroll taxes, etc
  - Transfer conditional on City using funds to spur growth through reduction in property tax
  - Re-examined as part of comprehensive property tax reform



# Financial Summary

# Financial Summary



# What Could be Done with \$17 Million?

- Evert \$670,000 is a penny on the tax rate
- Sample Option #1 – Lower Tax Rate
  - 24 cent reduction to 1.54
    - Approximately 10 cents lower than Moncton and 10 cents higher than Fredericton
    - Still 20-30 cents higher than regional towns and even more difference with regional LSDs
- Sample Option #2 – Match Moncton Tax Rate and Sustainment Focus
  - \$9 million used to lower tax rate by 13 cents
  - \$8 million for other options. Examples .....
  - Dramatically reduce borrowing for Capital projects (current borrow is \$10 million annually)
  - Incentive fund to encourage business growth
- **All of the above is hypothetical until transformational reforms of previous slide are implemented**





**Next Steps**

# Next Steps

- Media briefing being offered (Mayor and City Manager) Tuesday 21 April at 10:00am
- Meeting with Regional Caucus, date TBD
  - Demonstrate that we have followed through on our commitments
  - Stress importance of transformational reforms
  - Seek recognition and mitigation for the reality that Regional Management Task Force has failed
  - Seek recognition of industrial burden and seek immediate relief through a pilot/trial project of heavy industrial tax transfer to spur growth
- Two weeks for public discussion
  - Speak to your Counsellor
  - Email comments to [feedback@saintjohn.ca](mailto:feedback@saintjohn.ca)
- Briefing to Common Council on 4 May with multiple recommendations to enable overall plan and future staff action



**Conclusion**

# We Have a Plan

- Must balance budget for 2021 and 2022 (\$10 million)
  - 50% workforce adjustments
  - 50% high assurance initiatives and continuous improvement initiatives
  - Standby initiatives for unforeseen
- Thereafter....
  - Must control costs
    - Binding arbitration reform
    - Wage escalation policy
    - Continuous improvement initiatives
    - Implementation of fundamental reviews
    - Regionalization of services in the longer term
    - Operational audit recommendations
  - Must increase revenues immediately .... otherwise more cuts coming
    - Regional cost sharing
    - First phase of property tax reform....followed by full implementation of reform
    - Operational audit recommendations
    - Empower CSJ to make/receive additional revenue
  - Must spur growth
    - New economic development framework
    - Continued improvements to policies, procedures and mindset
    - Lower the tax rate
    - Change the narrative from negativity to positivity

# Conclusion

- We are taking a thoughtful, strategic approach
- We put 'all options on the table' to solve our immediate deficit
- Our work with the Province on transformational reform is hopeful, positive and productive
- We have a long-term vision to create opportunities for growth and improve the quality of life in Saint John

# Key Takeaways

- **We have solved the immediate \$10 million challenge**
- **We have not yet solved structural deficit or assured financial future**
  - **But we have a viable and achievable plan!**
  - **We must complete the transformational reforms**
- **City has done its job to get on the right path**
- **The Province is requested to take a leadership role for the next steps**
- **With all of the above, the future is indeed bright! There is a light at the end of the tunnel**



**Recommendation**

# Recommendation

- That Common Council receive and file this information briefing, provide initial comments, allow two weeks for public discourse, and be prepared to consider a full suite of applicable recommendations at subsequent Common Council meeting





# Common Council Sustainability Plan Information Brief



SAINT JOHN

John Collin  
City Manager  
20 April 2020