



BACKGROUND THE PATH FORWARD

ESTABLISHING SAINT JOHN AS A RESILIENT
AND FINANCIALLY SUSTAINABLE CITY



SAINT JOHN

AUGUST 2019



THE PATH FORWARD

The City of Saint John must face its financial challenges. We have a consolidated debt balance of approximately \$230 million, over \$400 million worth of infrastructure at or beyond “end of life,” and expenses increasing at 3% annually while revenue is increasing at slightly less than 1% on average annually. Our financial reality cannot be ignored. We are committed to finding solutions and taking the necessary steps to solve the growing financial gap, secure our financial future and ensure we maintain and deliver quality services that contribute to a vibrant, attractive and thriving City.

The urgency of the City’s fiscal challenges was made public in 2018 with the white paper, *Building a Sustainable Future for Saint John*. The paper clearly outlined the City’s limited ability to influence revenues and expenses without co-operation and assistance from the Province. In short, cities do not have the authority to make the necessary reforms or change legislation to better empower municipal governments and address some of the systemic issues.

The white paper offered strategic policy considerations and opportunities around three key themes that included implementing fair and reasonable property tax reform; addressing financial sustainability challenges associated with legislated binding arbitration; and supporting the regionalization of services. The response from political representatives at the provincial level was encouraging with promises to support and work with the City and other stakeholders.

In February 2018, Saint John received short-term funding from the Province to support the continued delivery of core front-line safety services. A key condition of the funding agreement was the establishment of a joint working committee (later became known as the Sustainability Working Group) comprised of staff from both levels of government to identify short and long-term solutions to address the City’s financial challenges. The goal of the group, as stated in the enabling agreement, was to “complete a report with an evaluation of the measures included in the agreement, any subsequent measures announced as part of the agreement and any additional recommended actions aimed at solving the City’s structural deficit to government on or before January 1, 2019. The City’s

aspirational goal, as reflected in the 2018 White Paper, was to “work diligently with the Province through the recently established Municipal Sustainability Working Group to identify new sustainable funding sources to reduce the tax rate by up to 22 cents (worth approximately \$15 million/year) by 2021.”

On July 9, 2019, the City and provincial government released *Sustaining Saint John – A Three-Part Plan*. The introduction within the Plan, which depicts the value and uniqueness of Saint John, and Part One of the Plan are the products of the working group. Part One identifies 20 actions that will improve Saint John’s financial situation and provide tangible benefits to many other areas of New Brunswick. The City jointly developed these actions and is committed to leading 11 of the 20 identified initiatives. If all 20 action items are fully implemented, the Plan will go a long way to addressing the long-term financial sustainability of the City.

However, and as recognised within the Plan, the action items fall short of identifying initiatives that will resolve the financial sustainability challenges the City faces in the short-term, between now and 2023. Therefore, the City must continue with its intention to address the entire deficit of \$12 million per year in 2021 and 2022.

Saint John Common Council held a special meeting on July 11, 2019 to openly discuss the Three-Part Plan. The meeting adjourned after Council voted in favour of tabling the question of support for the Plan for a 30-day period so that the points raised during their discussion could be further considered by all stakeholders.

The actions identified in Part One of the Plan are categorized under the five following themes:

1. Address the City’s structural challenges
2. Reframe municipal property taxation
3. Support growth and density
4. Pursue new revenue streams
5. Improve policies, processes and practices

Parts Two and Three of the Plan, entitled Regional Management Task Force and Provincial Government Commitment to Re-Assess the City’s Operational Status, respectively, are the responsibility of the provincial government.



EMBRACING CHANGE

The urgency of the City's challenges means we must act now. The City will assume responsibility to address the entirety of the anticipated deficit and implement short-term solutions to get through the next three years, while we continue to work with the provincial government to enable the reforms needed for long-term sustainability. Overcoming the current financial barriers is entirely possible, but will require a high degree of effort, time and a commitment to change. There are no quick fixes; but there is no doubt that the deficit must be addressed.

This means the City will have to make difficult decisions that will affect nearly every municipal program and service. Details on those actions and the impacts will be released in the coming months. All decisions will be made using a thoughtful, deliberate, transparent and prudent approach.

The City of Saint John is making progress

We have been working hard to look for ways to reduce costs and to demonstrate our commitment to change. Here is how we are making progress:

- City tax rate: Held at 1.785 for 11 years
- Long-term debt: Reduced by \$10 million and increased contributions to the operating and capital reserves, saving money to mitigate unforeseen risks and creating the ability to invest in infrastructure
- Workforce: Reduced the City's workforce by nine per cent from 2008-2018 = approximately \$5 million savings
- Energy: Reduced costs by 27 per cent over the past 14 years = approximately \$2.3 million savings
- Continuous improvement: Saved approximately \$2 million through projects in 2018
- Long-term financial plan and its supporting policies will be finalized in the next few months. It will guide all future Common Councils in their strategic decision making on financial matters.

While the immediate focus is on addressing financial challenges, the City cannot lose sight of the fact that the actions taken must be done without compromising the priority on growth. In order to grow and succeed, Saint John needs to be agile, resilient and unafraid to do things differently. The focus on employment, population and tax base growth is paying off and we are starting to see economic growth, reinvestment and development in Saint John.

- The residential vacancy rate has dropped, especially for recently built residential units.
- Saint John hosted 1.7 million visitors in 2018.
- Job vacancies in the Greater Saint John Region grew by 20 per cent in 2018.
- The City has seen significant investment in the uptown core, including the development of Irving Oil Headquarters, new residential development and renovation of heritage and non-heritage properties.
- Saint John has experienced three consecutive years of positive population growth.
- The City has an entrepreneurial spirit and a diverse economy with major employers in a variety of sectors including energy, advanced manufacturing, health and life sciences, and information and communications technology (ICT).
- Bolstered by comprehensive strategic plans, including *PlanSJ*, *Roadmap for Smart Growth*, *Population Growth Framework* and the soon-to-be-completed *Neighborhood Plan for the Central Peninsula*, the City is equipping itself for growth and prosperity.

A successful Saint John will be built as a community. Our work on a shared sustainability vision is critical to success and will be challenged in these difficult financial times. We are confident we can come together and reaffirm our commitment to a growing City that is welcoming and vibrant – one that emerges stronger than ever, as a desirable place to live, work, play and invest.



HELPING SAINT JOHN PROSPER

Your local Member of the Legislative Assembly (MLA) of New Brunswick

Quispamsis – **Premier Blaine Higgs**

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Saint John East – **MLA Glen Savoie**

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Portland-Simonds – **MLA Trevor Holder**

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Saint John Harbour – **MLA Gerry Lowe**

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Saint John Lancaster –

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MLA Andrea Anderson-Mason

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Hampton – **MLA Gary Crossman**

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Should you wish to discuss this with your local elected representatives, MEMBERS OF SAINT JOHN COMMON COUNCIL can be reached as follows:

Mayor Don Darling

Email: don.darling@saintjohn.ca

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Councillor Ray Strowbridge

Email: ray.strowbridge@saintjohn.ca

At Large

Councillor Gary Sullivan

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What you can do to help Saint John prosper

- Share news through social media about the benefits of living, working and visiting Saint John.
- Talk about the importance of growth and progress Saint John is making to friends, family and government officials.
- Celebrate our achievements, big or small.
- Support local Saint John businesses.
- Support opportunities for new investment in Saint John.
- Contribute to Saint John's collective effort in becoming the most welcoming City in Canada.

In addition to the action items identified in the Three-Part Plan, the City has proposed and asked the Province to endorse what we have termed "phase one for municipal tax reform," which would see property tax revenue generated by heavy industry in Saint John returned to the City. This recommendation would not create any new taxes for industry, but would reduce the burden on residential tax payers and ensure that the money is kept at the local level where the impacts of heavy industry are directly felt.

This first step of property tax reform could be implemented immediately and in time for the 2020 municipal budget deliberations. This one initiative alone would go a long way towards addressing our short-term financial challenges while the longer-term reforms take root. It is also important to note that on a yearly basis, over \$45 million of provincial property tax is collected from within the City limits yet, on average, less than \$20 million returns to the City in the form of transfer payments. Simply put, we are suggesting that more of what is collected within Saint John in terms of property tax should remain in Saint John.

We must address not only the long-term but also the short-term financial challenges we face. Once accomplished, the future is indeed bright. The measures and progress made today will benefit our next generations and create a more vibrant and prosperous City that attracts newcomers, retains residents, and grows successful businesses.

The vision for a financially sustainable Saint John includes:

- benefiting from an economic growth rate that is greater than the cost of providing municipal services;
- providing affordable, reliable and consistent levels of service to residents;
- withstanding financial shocks without compromising service levels or requiring financial assistance;
- having a competitive tax rate, and no longer shifting the debt burden to future generations by deferring capital costs or borrowing to finance essential services; and
- budgeting for and financing the full costs of delivering services from the City's own sources of revenue.

Without provincial initiatives to help address the immediate financial challenges, the requirement to address the entirety of the deficit beginning in 2021 will remain the burden of the City. Since the province is the legislative authority for any future reforms that would benefit Saint John, to have your voice heard, contact your local Member of the Legislative Assembly (MLA) of New Brunswick.