



CITY OF SAINT JOHN | TEN YEAR FINANCIAL PLAN



SAINT JOHN



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Introduction

Common Council passed its first Long Term Financial Plan in December 2019. The plan was implemented to address challenges in the following key areas:

1. Stagnate tax base and population growth
2. The restrictions of the New Brunswick property tax system
3. The rising costs of labour and high debt service costs
4. The rising infrastructure deficit

In addition to the challenges, there were several barriers that were also identified.

1. Restrictive Collective Agreements
2. Binding Arbitration
3. No Flexibility in operating expenses
4. Significant funding of temporary pension payments
5. Significant debt load
6. Infrastructure deficit
7. New Deal obligations
8. Geographic footprint
9. Cost of industry

The implementation and adherence to the long-term financial plan over the past three years has allowed the City to address several challenges and barriers identified. The City achieved population growth, higher than expected tax assessment growth, property tax reforms, higher housing demands, and has been able to reduce the tax rate to \$1.62.

These achievements exceeded the assumptions built into the current long-term financial plan.

The updated version of the Long-Term Financial Plan will update existing financial targets and goals, while continuing to adhere to existing financial policies. One of the major factors that will drive the updated financial plan is the 2023-2032 Ten Year Strategic Plan that was approved by Common Council in 2022.

The Strategic Plan makes a conscious commitment to update, develop and implement community and service plans and evaluate those plans to ensure all plans are properly resourced and balanced to achieve the City of Saint John's desired outcomes. The Strategic Plan is a living document intended to help Saint John grow upward and create a place where everyone can thrive over the next 10 years and beyond. It builds on the City's vision and mission to establish the overarching strategic direction that will guide all other operational planning.

Municipal action guided by the goals identified in the Strategic Plan will be regularly updated to reflect the evolving needs, opportunities and challenges facing the community to ensure the City is focused on the right actions at the right time.

The Strategic Plan provides direction to ensure the City continues to keep other strategic plans and related policies current and up to date, while managing resources so it can implement their respective recommendations. These supporting plans include the City's Municipal Plan (PlanSJ), Transportation Plan (MoveSJ), Parks & Recreation Plan (PlaySJ), Long-Term Financial Plan and Climate Plans.

The Strategic Plan guides service areas in the development of their work plans over the next 10 years (strategies, actions, and initiatives) and alignment of budgets to achieve the stated goals and objectives. The City is committed to implementing the plan, ensuring resources are invested in a balanced manner over the course of its lifespan. The success of the plan assumes a continued healthy growth rate for the City of Saint John, as well as a disciplined approach to funding major projects, with planning to start well in advance of anticipated timelines.

The 2023-2032 Long Term Financial Plan will offer updated financial strategies to ensure the City can sustainably resource the Ten-Year Strategic Plan in these uncertain economic times while leveraging stretch goals to increase the City's competitiveness.



Financial Environment Discussion & Analysis



Financial Environment Discussion & Analysis

1. 2023-2032 Ten Year Strategic Plan - Creating a Place to Thrive: Our Commitment to the Community

The update to the long-term financial plan will center around the 10-year strategic plan recently approved by the Common Council in 2022. The long-term financial plan will balance the funding of resources needed for the strategic plan, while ensuring the City continues to be financially sustainable.

The vision for the plan is to uplift all citizens, raising the community to new heights. Continue to foster growth, inclusion, and diversity, while strengthening our foundation of quality services and accountability, to help Saint Johners thrive. The mission is to, “Grow the City, Serve the City, Be the City of choice.”

The strategic plan sets out four goals to achieve the vision for serving Saint John

1. Vibrant - We value a city that pulsates with life through arts, culture, recreation, education, employment, innovation, and diversity.
2. Prosperous - We are creating an environment where all our citizens, neighborhoods, natural spaces, and businesses thrive.
3. Service - We are a professional public service and an engaged, informed community working together to ensure quality and innovative service delivery that benefits all citizens in a growing Saint John.
4. Accountable – We are committed with our partner agencies, boards and commission, to demonstrate transparency in financial stewardship, performance management and reporting outcomes so taxpayers and customers see value in their investments.

Each goal within the strategic plan lists the objectives and actions to be undertaken to reach the goals set out in the plan. The objectives and actions are to be undertaken over the term of the plan. Many of the objectives and actions in the strategic plan have a financial component. Examples for the plan include but are not limited to;

1. Working towards achieving the recommendations of PlaySJ with a proportional share increase of 5% to current parks and recreation budgets
2. Establish and implement a plan to address the social needs of the community that supports inclusion, diversity, equity and quality of life
3. Grow our property tax base by 3% annually, including at least 1% of new build assessment
4. Protect our Environment
5. Build and invest in transit and active transportation to increase overall sustainable transportation usage to 20%
6. Deliver excellence in financial stewardship

The Long-Term Financial plan is critical to the success of the City’s Strategic Plan because it provides a funding strategy that supports the City being able to afford to provide reliable services and sound infrastructure for the next decade and beyond. It also provides a foundation for financial targets that are incorporated into the Long-Term Financial Plan.

2. Economic Conditions

Rising Inflation, Interest Rate and Risk of Recession

In 2022, the economic recovery from the Global pandemic was well underway in most of the world including Saint John. In 2021 and 2022, Saint John saw a very strong real estate market, tourism numbers recovering, stronger job market, increase in both international and interprovincial migration.

The economic recovery from COVID-19 has also come with a new set of unintended issues for Saint John. Home prices and rental costs have significantly increased in 2021 and 2022 and the risk of housing affordability has become an issue in Saint John. The City reduced the property tax rate from \$1.785 to \$1.62 per \$100 of assessed value, recognizing the tax burden on residential homeowners due to the current real estate market.

Supply chain issues across the world have been occurring since the beginning of the pandemic. There have been supply issues due to health restrictions and plant closures for example, but also there has been more demand for certain other items as consumers switched habits during the pandemic. The supply chain issues have caused significant increases in cost and delays in receiving goods that has resulted in financial impacts and service delivery consequences for the City.

The price of fuel had a major impact on rising inflation during 2022 with price of diesel fuel averaging \$1.98 for Canada and \$2.12 for New Brunswick in 2022 (www2.nrcan.gc.ca). The increased cost of fuel along with supply chain issues were contributing factors in the rise of inflation in 2022. The Bank of Canada increased interest rates seven times in 2022, taking the rate from 0.25% to 4.25% by the end of 2022 to deal with inflation (Figure 2). The increased cost of debt also impacts how the City funds its Capital program. The City interest costs increased to almost double in one year when borrowing for new debentures in 2022 compared to 2021. There were also increases in Capital project costs by 150%-210% over pre pandemic pricing.

Inflation as of December 2022 was 6.3% year over year down from a high of 8.1% in summer 2022. Food prices have been rising much faster than inflation recording 11% year over year increase in December 2022. (www150.statcan.gc.ca). The Bank of Canada targets 2% for inflation. Figure 1 shows the increase in inflation for Canada and how quickly it has risen in 2022. Financial experts and economists have issued warnings that Canada could be heading into a recessionary economic environment. The level of uncertainty in today's economic environment is a major consideration as the long-term financial plan is updated.

FIGURE 1 - CANADIAN INFLATION FIGURE

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2022	5.1%	5.7%	6.7%	6.8%	7.7%	8.1%	7.6%	7.0%	6.9%	6.9%	6.8%	6.3%	6.8%
2021	1.0%	1.1%	2.2%	3.4%	3.6%	3.1%	3.7%	4.1%	4.4%	4.7%	4.7%	4.8%	3.4%
2020	2.4%	2.2%	0.9%	-0.2%	-0.4%	0.7%	0.1%	0.1%	0.5%	0.7%	1.0%	0.7%	0.7%
2019	1.4%	1.5%	1.9%	2.0%	2.4%	2.0%	2.0%	1.9%	1.9%	1.9%	2.2%	2.2%	1.9%
https://www.rateinflation.com/inflation-rate/canada-inflation-rate/													

FIGURE 2 - BANK OF CANADA INTEREST RATES

Date*	Target (%)	Change (%)
07-Dec-22	4.25	0.50
26-Oct-22	3.75	0.50
07-Sep-22	3.25	0.75
13-Jul-22	2.50	1.00
01-Jun-22	1.50	0.50
13-Apr-22	1.00	0.50
02-Mar-22	0.50	0.25
26-Jan-22	0.25	---
08-Dec-21	0.25	---
27-Oct-21	0.25	---
08-Sep-21	0.25	---
14-Jul-21	0.25	---

3. The Restrictions of the New Brunswick Property Tax System

Property tax revenues account for 80% of total City revenues (2023 General Fund Operating Budget). Both the previous Council and current Council have continued to push for changes to the property tax system. The current property tax system does not allow the City to enter into vacated provincial tax room due to the limit in the multiplier and the need for the City to enter this room is an important issue for the City as it continues to manage significant infrastructure, new social responsibilities such as affordable housing and homelessness as examples. Figure 3 compares the tax rate in Saint John to other municipalities in New Brunswick.

There have been some reforms implemented by the Provincial Government. On May 31, 2022, legislative amendments were introduced that would establish a new tax classification for Heavy Industrial and Non-Residential and allowed local governments and rural districts to establish a local tax rate between 1.4 and 1.7 times the residential rate. This change

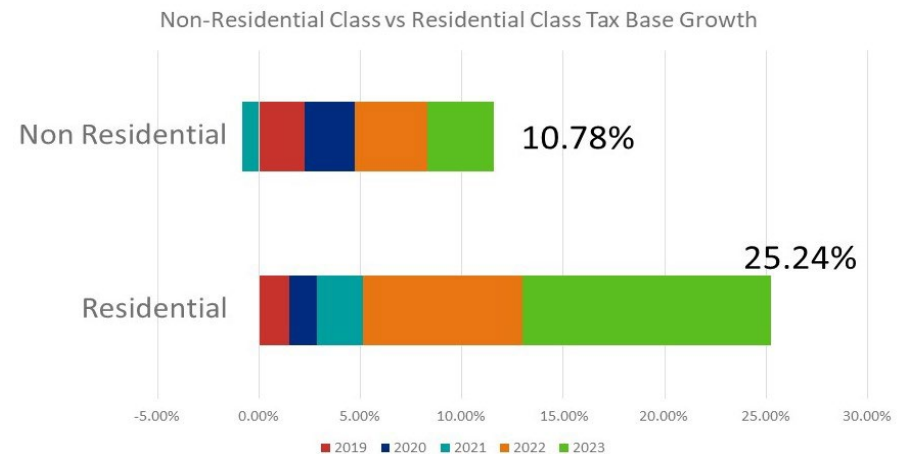
eliminated the fixed 1.5 rate established by the Province on these two classes only. For the 2023 Operating Budget, Council approved a rate of 1.7 times for Heavy Industry and Non-Residential. The City then applied the increase in revenue to a tax rate reduction.

There are still significant challenges in terms of tax burden on residential properties versus non-residential. Figure 3.1 compares the City’s tax base growth from 2019-2023. Residential tax base has increased by 25.24% versus 10.78% for non-residential. Residential homeowners, despite the decrease in the property tax rate reductions, still account for the largest portion of increased property tax revenues.

FIGURE 3 - 2023 PROPERTY TAX RATES

	Saint John		Rothesay		Quispamsis		Fredericton		Moncton	
	Res	Non-Res	Res	Non-Res	Res	Non-Res	Res	Non-Res	Res	Non-Res
Municipal	1.620	2.754	1.190	2.023	1.278	2.173	1.339	2.276	1.440	2.318
Provincial	1.035	1.856	1.035	1.856	1.035	1.856	1.035	1.856	1.035	1.856
Total	2.655	4.610	2.225	3.879	2.313	4.029	2.373	4.132	2.475	4.174

FIGURE 3.1 - TAX BASE GROWTH



In Saint John, industrial assessment base has decreased by approximately \$200 million when comparing 2013 to 2023. Figure 3.2 highlights the assessment value year over year. The Gardner Pinfold Industrial Report released on January 20, 2020, summarized the following cost recovery observations by generating tax revenue from Industrial tax base.

1. Direct Costs - \$2.5 million for roads, \$1.2 million for fire, and not quantified for Police
2. Opportunity Costs – up to \$32 million for lost residential property tax revenues and lost residential properties
3. Benefits – About \$12 million in municipal tax revenue from heavy industrial properties.

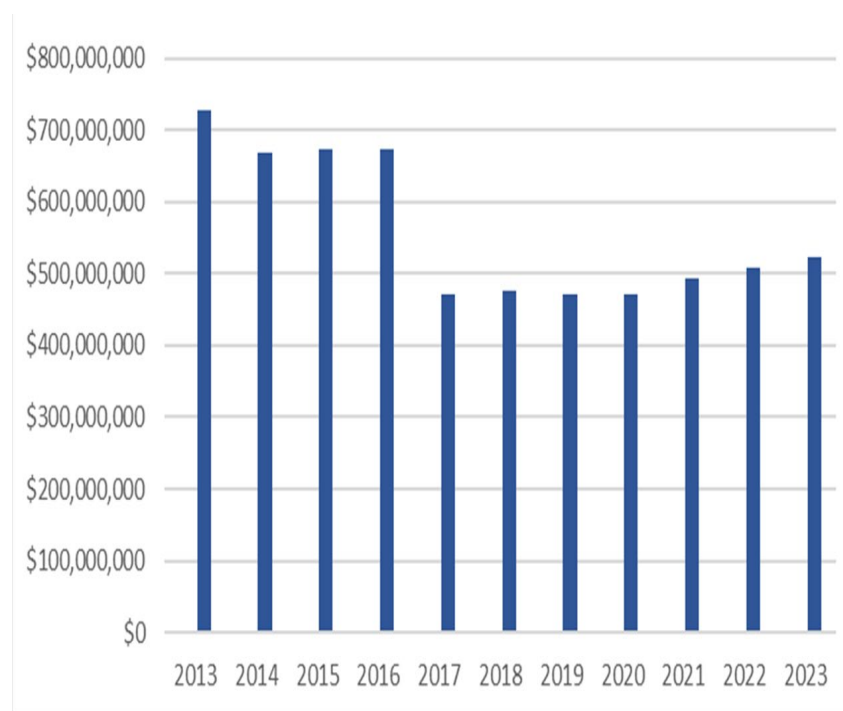
Finally, the current legislation exempts most machinery and equipment from property taxes. Given the prevalence of heavy industry in Saint John, an industry that has a large proportion of machinery and equipment will not have a significant impact on City tax revenues.

Annually the Province provides municipalities with a Community Grant and Equalization payment, formerly referred to as the Unconditional Grant, in part due to the amount of property tax it collects. The Provincial Government developed a white paper late in 2021 recognizing the equalization formula would need to be adapted for the new local governance structure. An expert panel was formed and tasked with identifying, assessing, and proposing options for a new system of fiscal transfers between the Province and Local Government. A report was published in September 2022, with recommendations that included a new formula, elimination of core funding component and indexing equalization payments to the Provincial Growth. Other recommendations from the expert panel included the Province should review its property tax assessment process and as part of Phase 2 of the Comprehensive Property Tax Reform, that municipalities need to generate more sources of revenue and there should be exploration of transferring more property tax room, cannabis revenue sharing, enhancing HST rebate for municipalities and property tax exemption for local government properties.

The Province did not accept most recommendations and decided to use the 2022 Base Equalization Grant, which is underfunded, as a base amount adjusted by up to 3% for growth. The core funding will be phased out over 5 years and the annual budget for the grant will be frozen for the next 5 years.

The estimated impact of the Provincial recommendations on the grant program will be a loss of approximately \$3 million by 2027. The City may receive value from Fundy Regional Service Commission grant funding to partially offset the loss of core funding through the potential of having some costs shared regionally through the Regional Service Commission. However, it is premature to quantify the effect at this early stage of development.

FIGURE 3.2 - HEAVY INDUSTRIAL ASSESSMENT VALUE



4. Affordable Housing and Housing Supply

Affordable housing and housing supply issues has become a predominate issue in Saint John and in much of Canada as recovery from the COVID pandemic continues. The Saint John region has benefited from an increase in international and interprovincial migration. One of the outcomes of the increased migration is that the average cost of homes has dramatically increased since the original long term financial plan.

Average home price in Saint John was \$292,222 in December 2022 (<https://creastats.crea.ca/board/sjnb>) versus \$188,973 in 2019 and as result of the increase in this real estate market the City's tax base has grown much higher than expected for 2021 (6.74%) and 2022 (8.76%).

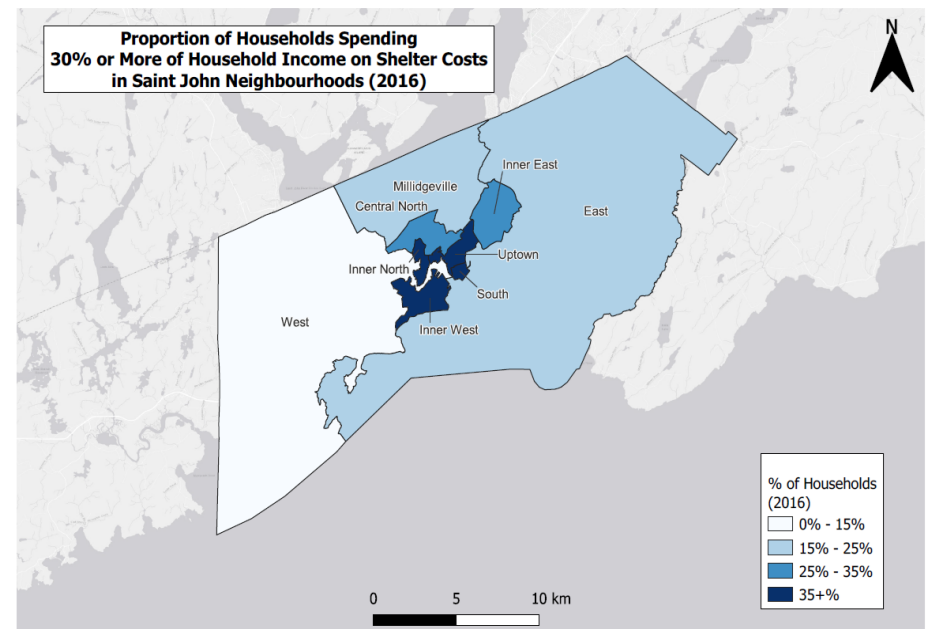
In September of 2022, the City's Growth Committee released a draft Affordable Housing Action Plan. The plan highlighted some of the most relevant trends in Saint John

1. Recent growth and changing demographics
2. Escalating rental costs and house prices
3. Diminished housing access and affordability
4. Emerging challenges, gaps and barriers within the housing market

Three key takeaways identified as part the housing needs assessments were:

1. The is a discernable polarization of incomes by household tenure
2. Housing cost have risen faster than incomes, especially in the last five years
3. Housing options in the market do not align with realities of household affordability

About one third of Saint John residents struggle to pay for housing. Affordable housing is important to our residents and key to our community's success. Our collective ability to provide access to safe, affordable housing will enable us to achieve growth and improve the sense of belonging for those who call Saint John home. The City is looking for federal and provincial support as it embarks on creating and delivering its Affordable Housing Action Plan.





Opportunities





Opportunities

While the financial environment may be challenging, there are opportunities available for the City. These prospects, if leveraged, will help address some of the financial challenges previously discussed.

1. The End of the Shared Risk Pension Top-up Contributions

On January 1st, 2013, the City converted its pension plan to a shared risk model. The objective of this new plan was to attain a minimum funded ratio of 150% (as calculated under Pension legislation). To achieve this ratio, the City is required to make additional contributions over and above its annual required contributions. As such, the city has been required to make an additional 17% of earnings for a period of 15 years. This additional contribution is typically approximately \$10 million. These payments end after the first quarter in 2028.

2. Ongoing Municipal Reform

The provincial government presented and released its white paper in 2021, “Working together from vibrant and sustainable communities”. This report presented various items for municipal reform, however the most important to Saint John’s financial health consisted of the following.

- **Regional Service Commission:** The mandates were expanded to include economic development, community development, regional tourism promotion, regional transportation and cost sharing of regional recreation infrastructure. The new Fundy Regional Service Commission came into effect, January 1, 2023. The most significant benefit was operating costs and capital costs for all regional facilities would now be part of the contributions made by municipalities annually. There are opportunities for Saint John to receive benefits

from tourism, and transportation as the Commission continues to move forward.

- January 1, 2023 tax reforms allowed Saint John to move the Heavy Industrial and Non-Residential tax rate from 1.4 to 1.7 times the City residential rate, from the fixed 1.5 rate. The next phase to be implemented in 2025 may provide more opportunities for more flexibility with City tax revenue and revenue generation opportunities.

3. Catalytic Projects and Advocacy

Common Council is committed to working across all levels of government and sectors to unlock the City’s and regions growth potential. Council has identified four catalytic infrastructure projects.

1. **Innovative Central Peninsula Learning Commons** – The new urban school will also be a community hub to support and revitalize the south-central peninsula neighbourhood.
2. **Redevelopment of Fundy Quay** – Site work is well underway with construction beginning in 2023. This mixed used project will transform Saint John’s urban waterfront and boost tourism.
3. **New Comprehensive Recreational Facility** – A large multipurpose facility will also replace aging arenas. The more modern facility will not only improve community wellness and service but boost attractiveness to our region.
4. **Investment in Industrial Parks** – The City is looking to expand lands and investments in its industrial parks to fuel economic growth by attracting new businesses and skilled workers.

Common Council has also approved four catalytic advocacy efforts; continued comprehensive tax reform, matching dollars for bilateral funding, affordable housing, and post-secondary education.

4. Saint John Energy Growth Agenda

Saint John Energy began in 2012 to strategically reposition the company to meet the technological change and societal expectations for the utility while still maintaining the traditional services and benefits for the Saint John community. Saint John Energy published their strategy for growth, “Ensuring a Sustainable Future” in 2019.

The strategy lays out initiatives across three broad categories.

1. Renewable energy generation and storage
2. Smart energy services for consumers
3. Strategic partnership opportunities.

As the owner, the City of Saint John receives benefits of approximately \$2 million annually in energy savings. Saint John Energy has undertaken a project with a private partnership to build a wind farm known as the Burchill Wind Project that will generate an estimated eight to fifteen percent of total energy needed to supply power to Saint John.

The Burchill Wind Project will have a direct financial benefit of approximately \$14.47 million from 2023-2032. This benefit has been built into the updated financial plan.

The growth agenda sets out opportunities for investments in solar and energy storage. Investments into smart energy products such as heat pumps, hot water tanks, managed solar, ev charging and managed storage.

The agenda provides more modern and efficient services, which shift electricity demand for peak times, reduce GHG emissions, while fostering smart energy products and services to propel the advancement of a regional energy sector.

Under this agenda and a new structure for Saint John Energy, the return on equity would contribute to additional growth opportunities aligned with government policy and the City’s sustainability. The goal over time is to help the City reduce reliance on property tax revenue and the provincial unconditional grant.

5. Saint John Port Expansion

The Saint John Port has been undergoing a \$205 million initiative that will significantly expand capacity and capabilities to strengthen the Port’s position as part of the Atlantic Gateway.

The resulting growth in container cargo is expected to create an additional 500 jobs over time. Industry has undertaken to modernize its existing transportation and rail operations as part of Logistics Park.

The growth will support regional suppliers and contractors, developing clustering opportunities to related businesses and generate tax revenue. The potential of business growth, job growth and expansion of business will lead to potential property tax growth.

6. North End Neighborhood Plan

The City will be focusing on developing the North End Neighborhood Plan starting in 2023. The Old North End is how the area is often referred to is an area of the City with a large number of older wooden two and three story multi units. There is a particularly high number of boarded up buildings, and many vacant lots due to buildings being torn down.

The plan for the North End will help address the housing shortage, the affordability of housing and rental units and be a catalyst for investment and revitalization of the area which in turn will increase property tax revenues for the City.



Financial Principles





Financial Principles

The current financial state of the City of Saint John did not happen overnight. In fact, the road that has led to the present day is comprised of many factors and encompasses numerous decisions. The approval of a 10-year long term financial plan in 2019 has put Saint John on a path of long-term financial sustainability.

The only way to continued long-term financial security is to diligently plan and then continue to execute over the long-term. Four key financial principles have been identified: Sustainability, Flexibility, Vulnerability and Accountability.

Principle	Description & Importance	Implementation
Long-Term Sustainability	<ul style="list-style-type: none"> “Sustainability focuses on meeting the needs of the present without compromising the ability of future generations to meet their needs.”² A decision that may benefit the short-term may not necessarily be good for the long-term. This principle ensures that due care is taken to evaluate future considerations. 	<ul style="list-style-type: none"> Ensure goal congruence – operating & capital budgets, debt management & expenditures take into account the overall organizational long-term financial strategy. Maintaining appropriate reserve fund balances Evaluation of long-term impact of decisions. Dismissing options that are detrimental to long-term sustainability. Exercising fiscal responsibility as it pertains to affordability and debt management.
Increased Flexibility	<ul style="list-style-type: none"> Flexibility is the ability to cover expenditures while still having funds available for reserves, debt repayment, and other opportunities It is important to maintain a structurally sound operating budget where operating revenues naturally exceed operating expenditures to ensure the ability to meet future spending needs. 	<ul style="list-style-type: none"> The reduction of infrastructure deficit has increased flexibility. Reducing debt load will reduce principal and interest payments.
Reduced Vulnerability	<ul style="list-style-type: none"> The city needs to reduce, if not eliminate its need of provincial government funding through the equalization grant to meet its basic spending needs. The ability to grow own source revenue to cover required expenditures 	<ul style="list-style-type: none"> To eliminate the reliance on provincial equalization to fund day-to-day operations. To be able to fund demands of tax base without the need for outside assistance.
Accountability	<ul style="list-style-type: none"> Accountability means that the City’s Senior Leadership and Council must be responsible to all stakeholders for the actions and results of this plan. Accountability is important as it will ensure alignment of all departments and areas of the organization to ensure compliance to the plan. 	<ul style="list-style-type: none"> Establishment of clear financial indicators that evaluate actual results compared to planned results. Monitoring of results on a regular basis. Making adjustments to goals, initiatives and actions when results are not consistent to desired outcome.

² <https://www.investopedia.com/terms/s/sustainability.asp>



Policies





Policies

The purpose of having a long-term financial plan is to have a road map to reach a defined set of goals. In the City's case, the number one goal is to be financially sustainable. A number of best practice policies have been adopted by council to help achieve this goal. These policies are meant to follow several key financial values:

1. Don't Spend More Money than you make

If every year a person uses credit cards to pay for things that they need, but can't afford, they will dig themselves a financial hole that will be very difficult to get out of. Every year, their debt levels will get higher and a larger portion of their money will go to funding their minimum payments. That is why it is important to only spend the money you have made, thereby living within your means. The Operating Budget Policy (FAS-004) was established to strengthen financial sustainability and reduce financial vulnerability. It is summarized as follows:

- Maintain a structurally balanced budget: Recurring operating expenses should be covered by recurring operating revenues
- The City needs to be able to function without having to rely on revenue sources outside of its control
- One time revenues should only be used for one time expenses

2. Borrow Wisely

While it would be great to be able to pay cash for everything, the reality is that at some point or another debt will become a fact of life, especially when it comes to large ticket items such as houses or cars. The Debt Management Policy (FAS-006) sets out the acceptable conditions for the use of debt in addition to debt limits, targets and capacity. It stipulates that long-term debt

will only be issued to finance projects approved in the Capital Budget and the Capital Investment Plan – never to fund operating or maintenance costs. The other key limits and targets are as follows:

Limits (From the New Brunswick Local Governance Act):

- Borrowings in any one year shall not exceed:
 - 4% of budget or \$15k per year, whichever is greater
 - 2% of the assessed value of real property
 - Total amount borrowed shall not exceed 6% of the assessed value of real property

Key Performance Indicators of Debt Limits of the General Fund:

- Debt per Capita shall not exceed \$1600
- The Debt Service Ratio shall not exceed 12%
- Total debt outstanding as a percentage of the Operating Budget shall not exceed 70%

Targets to be achieved and maintained after 2032:

- Debt per Capita of \$750
- The Debt Service Ratio to be 6.5%

Total debt outstanding as a percentage of the Operating Budget to be 30%

3. Save your Money for a Rainy Day

Everyone knows that surprises happen. There will always be unforeseen expenses that will come up and sometimes the money to cover said expenses will not be available. So, in order to ensure the City remains in compliance with the Debt Management and Operating Budget policies, an Operating and Capital Reserves Policy (FAS-003) was created. This policy allows the City to

set aside money to use for future operating expenses and capital expenditures. The stipulations are:

- Reserves are meant to provide for:
 - Major unanticipated events
 - Major Capital renewal
 - Future Liabilities
 - One-time operating expenses which are greater than \$100,000 that are not part of the operating budget
 - Infrastructure deficit
 - Investment growth opportunities

4. Take Good Care of your Property

When you own a car, you know that routine maintenance such as changing the oil and rotating the tires will help extend the life of your vehicle as well as minimize the operating expenses in the long run. Also, once the car gets old, there is an optimal time to replace it before the maintenance charges become too high. City assets are very similar and for that reason, an Asset Management Policy (FAS-001) was created. The specific objectives of the Asset Management Policy are to:

- Improve the reliability of customer service by maintaining clearly defined levels of service by maintaining assets in good condition
- Improve the decisions related to the management of the City's assets
- Improve the transparency and accountability of community investments in the management of the City's assets
- Improve the management of the City's exposure to risks of reduced service delivery
- Facilitate the leveraging of partnerships and infrastructure funding from external sources.

5. Take Control of Your Expenses before they take Control of You

For the majority of people who do not receive significant pay increases every year, the smallest of increase in basic expenses such as rent, mortgage payments and electricity have a major impact on their monthly spending. Think about how hard it would be to manage if your rent increased by 3% or so every single year, when your pay only increased by 1%. There will come a point where living in your apartment will simply not be affordable any longer. For the City, as described earlier in this report, total wage expenses have been increasing at a much faster rate than revenue. It is to this end that the Wage Escalation Policy (FAS-007) was created. This policy is meant to ensure that:

- The City spends within its means
- Wage escalation does not cause a tax rate increase in order to balance the General Operating Budget
- Wage escalation does not cause a reduction in service levels in order to balance the General Operating Budget
- Wage escalation does not exceed the City's assessment base growth
- All employee groups are treated equitably

6. Fix the roof before you buy new living room furniture

The Capital Budget Policy (FAS-005) of the City advises that the capital budget shall comprise of 85% capital renewal and 15% for new capital. It also prescribes the priority in which capital money is spent each year, specifying that capital projects will be completed in the following order:

1. Mandatory
2. Risk
3. Priority of Council
4. Positive Financial Impact
5. Discretionary

This means that given the limited available money to spend, the leaky roof will need to be replaced before new living room furniture can be purchased. The Capital budget policy follows four key principles and strategies: affordability, ownership, fiscal responsibility, and asset management.

7. Keep track of your money

The Budget Monitoring Policy (FAS-021) is a policy that enhances accuracy, accountability and control by ensuring budget allocations are managed and adhered to according to policy. The policy enhances fiscal responsibility and financial flexibility by integrating budget monitoring practices with the City's reserve fund and debt management strategies.

The policy ensures personnel and non personnel budgets are managed separately, annual operating revenues and expenditures match forecasts, financial controls to ensure resources are funded and spent in a fiscally prudent manner.

8. Make sure your dependent is achieving results at University

University is a significant investment. When a dependent goes off to University and you are helping pay for room and board, books, tuition and other expenses, there is an expectation they are meeting their obligations, which is going to class, performing, meeting their goals and this can be measured by the results the student receives for marks. Some Agencies, Boards, and Commissions are heavily subsidized and dependent on City taxpayer funds.

This City's funding for ABC's is a significant portion of the annual operating budget. It is imperative that the ABC's are aligned with the City's objectives, various plans and is operating in a fiscally responsible manner.

The Agencies, Boards, and Commissions (ABC) Policy (FAS-022) sets out standardized reporting templates and guidelines with reporting to the City. The reporting ensures there are key performance indicators, financial results, growth and operational results are included in the reporting requirements. There is also requirement to present an annual report to one the City's

Committees based on funding. The policy was established to address an opportunity of communication and build upon the mutual understanding between ABC's and promote transparency.





Council Priorities and Strategic Plan





Priorities

In addition to taking all the above items, the Ten-Year Financial Plan will take into consideration Council's Priorities as defined in 2021. These priorities are divided into four categories:

- Grow – We value smart growth
- Green – We value the environment
- Belong – We value a welcoming community
- Move – We value sustainable transportation choices
- Perform – We value the best use of our resources

The full list of Council's Priorities can be found in Appendix A.



Strategic Plan

The Strategic Plan provides overarching direction to ensure all the City's plans and policies are working together, while also guiding the creation of new ones. The plan is the promise to keep the public updated as the City measures and improves progress. The City will uphold commitments, working together to take a transparent and financially sustainable approach to follow through on goals.

The Strategic Plan has been developed through a comprehensive consultation process with citizens, key stakeholders, employees and economic development consultants.

The strategic plan sets out the following four goals to achieve the vision for serving Saint John.

- Vibrant - We value a city that pulsates with life through arts, culture, recreation, education, employment, innovation, and diversity.
- Prosperous - We are creating an environment where all our citizens, neighbourhoods, natural spaces, and businesses thrive.
- Service - We are a professional public service and an engaged, informed community working together to ensure quality and innovative service delivery that benefits all citizens in a growing Saint John.
- Accountable - We are committed, with our partner agencies, boards, and commissions, to demonstrate transparency in financial stewardship, performance management and reporting outcomes so our taxpayers and customers see value in their investments.

The strategic plan is an integral part of the updated financial plan. Additional information on the plan can be found in Appendix B.



Financial Targets





Financial Targets

As part of the first long term financial plan, the Finance Committee approved a number of key financial policies to guide decision making around long-term financial planning. Within these policies, the Finance Committee has set targets that served as the foundation of this financial plan.

Based on the City’s adopted Principles, Policies and Priorities, achieving the following financial targets have been identified as critical to sustainability.

Policy	Measure	Target	Due Date
Operating Budget Policy	Structural budget	Maintain a structurally balanced budget	Annual
Debt Management Policy	Debt per capita	Reduce to \$750	December 31, 2032
Debt Management Policy	Debt Service Ratio	Reduce to 6.5%	December 31, 2032
Debt Management Policy	Debt Outstanding as a % of Operating Budget	Reduce to 30%	December 31, 2032
Operating and Capital Reserves Policy	Operating fund balance	Maintain a minimum of \$2 million for unforeseen expenditures	On going
Asset Management Policy	Infrastructure Deficit	Reduce by 25%	December 31, 2032
Wage Escalation Policy	Annual Wages and Benefits Escalation %	Less than property tax growth	Annual
Debt Management Policy	Debt Balance	Reduce to \$53 million	December 31, 2032
Various	Pay-as-you-Go	Increase to \$14 million annually	December 31, 2032



Financial Strategy

Balemans
Bananas
79¢
lb

Balemans
Nova Scotia
Beets
\$3.99
5 lb Bag

Balemans
Nova Scotia
Plums
\$1.69
lb

Balemans
Nova Scotia
Pears
\$1.99
lb

Balemans
Nova Scotia
Peaches
\$2.99
lb

Balemans Quality Produce

Balemans Quality Produce



2023 Budget – Economic Uncertainty

The operating budget for 2023 was a year with very strong tax base growth at 8.76%. The challenge with the tax growth is the majority was in market adjustments, with only 1.35% of the tax base growth related to new construction. As the real estate market begins to retract and correct itself, the City is vulnerable in terms of seeing residential tax base contracting and reducing based on market conditions and new growth still lagging compared to other municipalities in New Brunswick.

Base Case 10 Year Financial Plan

The Base Case financial plan scenario is founded on maintaining and funding current service levels. It focuses on actioning the strategic plan while meeting the financial goals and targets set out in the plan.

The following has been assumed within the Base Case Financial Plan:

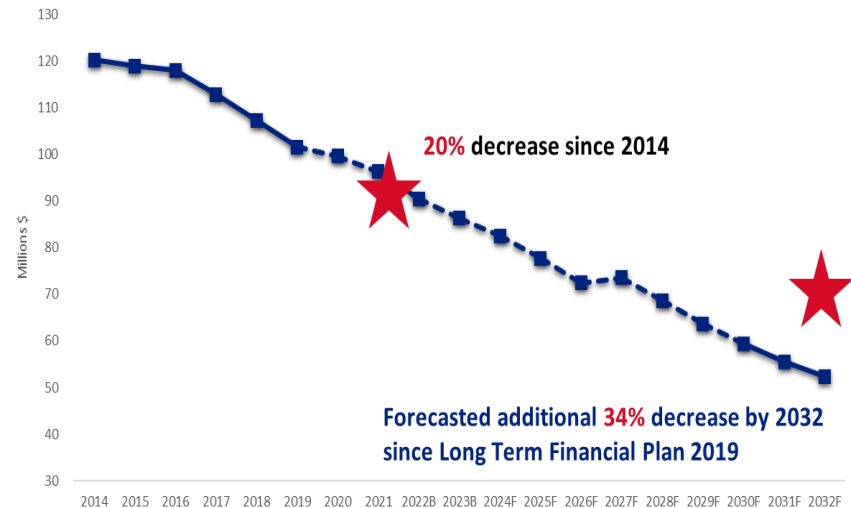
- Property tax assessment growth of 3.0% per year for Residential and Non-Residential and 2.5% for Heavy Industrial
- Pay-as-you-Go to reach \$14 million by 2032
- Inflation of goods and services of 2.30% in 2024, then 2.15% annually
- *Tax remains stable at \$1.62 until 2027, then reduced to \$1.57 for remainder of plan.
- Interest rate on new borrowing at 4.5% in 2024, then 3.5% for balance of plan
- Equalization Grant – Core Funding portion from the Province of New Brunswick reduced by 20% annually until 2027 and remain flat
- Benefits from Saint John Energy included
- Regionalization of Services and opportunities to recover funding back from Regional Service Commission included at \$500K annually
- Own source revenue increases between 0.5% to 1.5%
- Population growth 2% annually to tie into Strategic Plan
- Strategic initiatives funding of \$11.6M over term of plan

*Note for purposes of property tax, consideration must be given for competitiveness, if the gap grows between Saint John and other municipalities, tax rate reduction must be considered.

Appendix C summarizes the 10-year annual operating results of the Base Case financial model.

The 10-year baseline forecast in Appendix C meets all the financial targets. Specifically, the budget is balanced, funding for strategic investments, the total debt load has been reduced, and infrastructure deficit declines by 2032. Figure 4 displays the long-term debt balance from 2014 to 2032.

FIGURE 4 - GENERAL FUND LONG-TERM DEBT BALANCE





Financial Strategy – Base Case

Figure 4.1 presents the trendline between existing (as of 2021) long-term debt and new long-term debt balances expected to be outstanding in the next 10 years.

In addition to meeting the long-term debt balance targets, the 10-year base case builds in additional funding for starting in 2028 to fund strategic initiatives. See figure 4.2.

Appendix C summarizes the 10-year annual results of the Base Goal financial model.

**FIGURE 4.1
PROJECTED LONG-TERM DEBT BALANCE**

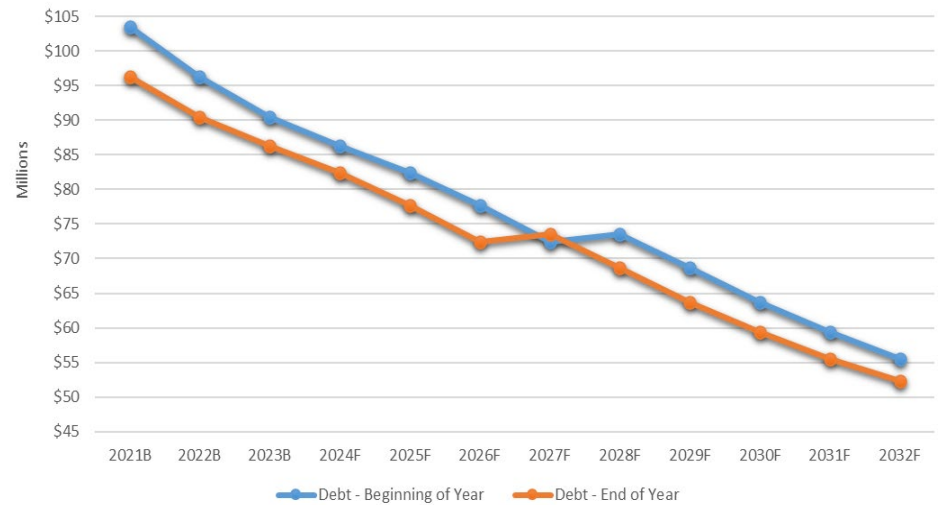


FIGURE 4.2 - TAX RATE & STRATEGIC INITIATIVES FUNDING

FIGURE 4.2 – TAX RATE									
2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
\$1.620	\$1.620	\$1.620	\$1.620	\$1.620	\$1.570	\$1.570	\$1.570	\$1.570	\$1.570
Strategic Initiatives to be funded within operating budget					\$609K	\$2.18M	\$2.50M	\$3.10M	\$3.22M



Financial Strategy – Stretch Goal

Stretch Goal 10 Year Financial Plan

The goal in the stretch case is combination of tax rate reduction, accelerating the strategic plan and meeting or exceeding financial goals and targets set out in the plan.

The stretch goals provide staff direction from Finance Committee and Common Council when the City exceeds base case targets.

Figure 5 highlights the tax rate goals each year with a goal of \$1.365 by 2032. The annual funding of five cents of tax base growth starting in 2026 for strategic initiatives will equal approximately \$41 million dollars over the term of the plan if the City achieves its stretch goals.

The following has been assumed in the Stretch Case Financial Plan:

- 5% Property Tax Base growth in Residential and Non-Residential and 3% Tax Base growth in Heavy Industry
- Empowerment of municipalities to generate more of their own revenue
- Inflation of goods and services of 2.30% in 2024, then 2.15% annually
- Equalization Grant – Core Funding portion from the Province of New Brunswick reduced by 20% annually until 2027 and remain flat
- Accelerating the Strategic Plan with a competitive tax rate. Five cents of assessment growth to be applied to strategic initiatives

Appendix D summarizes the 10-year annual results of the Stretch Goal financial model.

FIGURE 5 - TAX RATE & STRATEGIC INITIATIVES FUNDING

FIGURE 5 – TAX RATE & STRATEGIC INITIATIVES									
2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
\$1.620	\$1.620	\$1.620	\$1.614	\$1.584	\$1.495	\$1.452	\$1.424	\$1.394	\$1.365
Strategic Initiatives to be funded within operating budget	\$689K	\$3.28M	\$5.05M	\$5.30M	\$5.56M	\$5.83M	\$6.12M	\$6.43M	\$6.75M



Financial Health Monitoring





Financial Health Monitoring

Now that the path to sustainability has been defined and the targets set, the key will be to monitor actual results as they compare to the plan and make updates where necessary. Annual monitoring is done by the Finance Committee for annual update and presentation to Council. In order to achieve subjective monitoring, a Financial Health Scorecard has been used to track the progress compared to the plan. Below exhibit presents the financial health scorecard for 2023 based on the Long-Term Financial Plan and updated 2024 based on the base and stretch cases.

2023 results are very encouraging as several key performance indicators on the scorecard are on target of exceeding targets. Tax rate has exceeded the stretch case, assessment growth has exceeded the stretch case. Debt per capita is exceeding target, infrastructure deficit is on track to meet targets.

EXHIBIT – FINANCIAL HEALTH SCORECARD 2023	PRINCIPLE	2023 RESULTS	2032 BASE	2032 STRETCH
Debt per Capita	Sustainability	\$1,235	\$750	\$650
Assessment Growth	Sustainability	8.76%	3.0%	5.0%
Debt Service Ratio	Sustainability	8.9%	6.5%	5.0%
Tax Rate	Flexibility	\$1.62	\$1.57	\$1.365
Total Debt as a % of Operating Budget	Sustainability	49%	30%	25%
Cumulative Debt Reduction (Millions \$) since ending 2019	Sustainability	\$17,237,363	\$51,179,770	\$56,613,103
Pay-as-you-Go Contribution	Flexibility	\$5,65,000	\$14,000,000	\$15,800,000
Infrastructure Deficit Reduction since 2019	Sustainability	7.4%	25%	30%
Unconditional Grant (% of Total Revenue)	Vulnerability	8.73%	6.27%	6.11%
Total People Cost (% of Total Revenue)	Flexibility	53%	51.3%	51.0%



Conclusion





Conclusion

This is the City of Saint John’s first update to the Long-Term Financial Plan. It was developed to ensure the City remains financially strong and that Council’s of today and tomorrow have the best possible financial advice and best financial practices in place to make informed decisions.

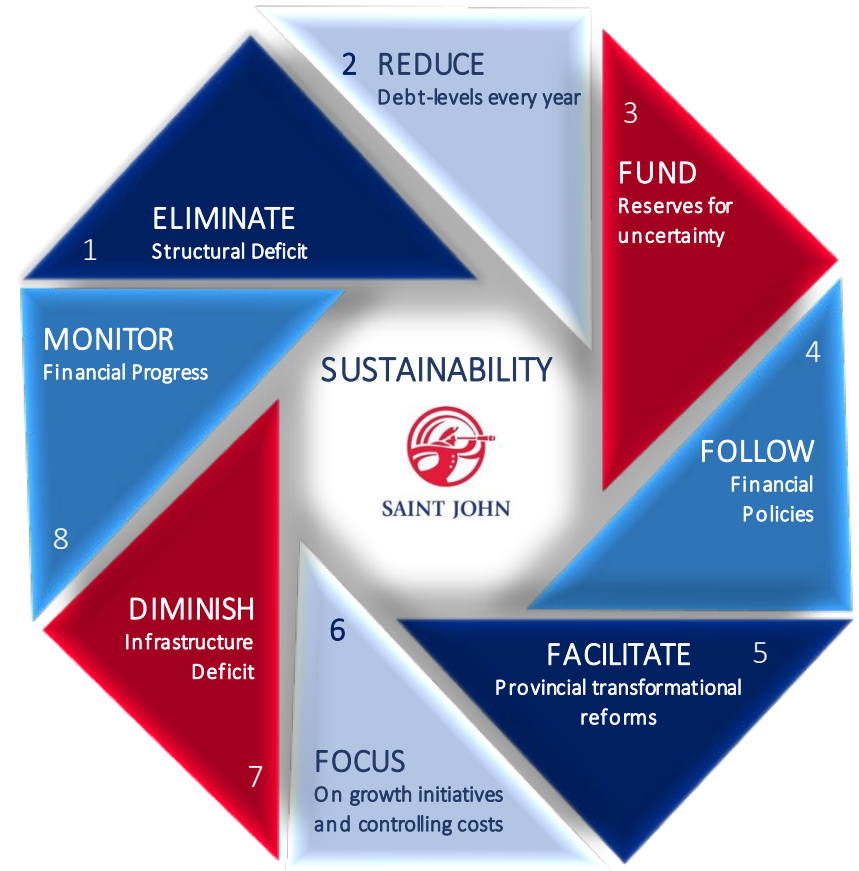
The strong financial policies and adherence to these policies has put Saint John on the right track. The goals set out in the previous version have been surpassed in many cases. Tax rate has been reduced, debt is falling, population is growing, and assessment value is up.

The Long-Term Financial Plan reaffirms to Council and taxpayers that the plan is working. The updated plan takes the next step with the implementation of the 10 Year Strategic Plan.

To summarize the road to sustainability and the financial plan in one graphic, Figure 6 outlines the steps that the City needs to continue with to ensure a sustainable Saint John.

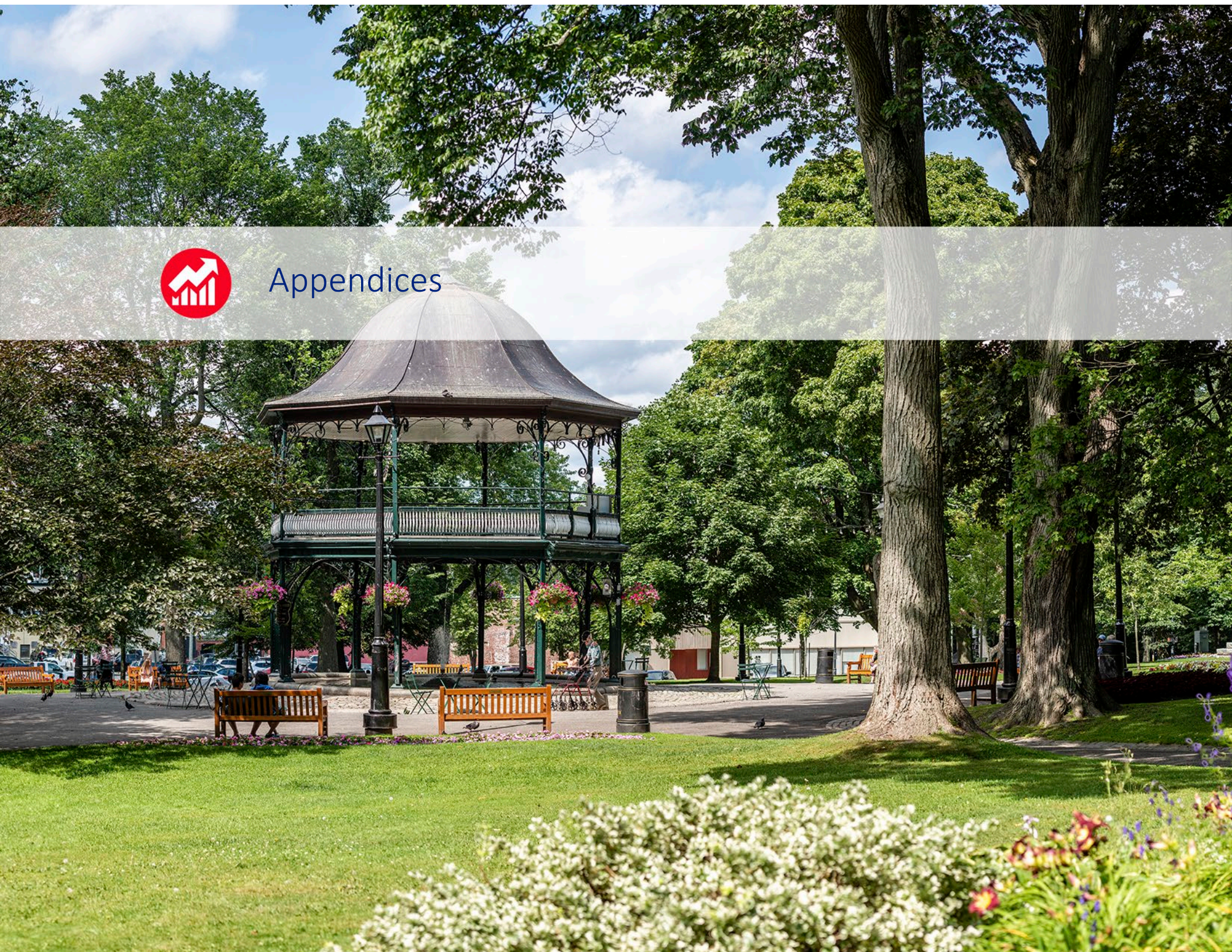
The City’s intention is not just Financial Sustainability, but Financial Excellence.

FIGURE 9.1 THE STEPS TO BE SUSTAINABLE





Appendices





Appendix A: Council’s Priorities: 2021-2026

Through good governance and with the support of the community, our focus is on growing Saint John. By being fiscally responsible, the City delivers services that contribute to a vibrant, attractive and prosperous city.



GROW – We value Smart Growth

We enable population and business growth by focusing on key infrastructure investments, strategic communications, service delivery, and partnerships to achieve growth initiatives that align with the principles of smart growth in PlanSJ.

Population Growth

- Grow our population at a rate of 2% annually by the end of Council’s term.
- Develop, embrace, and reinforce a strong brand for Saint John.

Economic Growth

- Achieve 3% annual property tax base growth and ongoing work to increase the target.
- Work with partners to create opportunities to attract and grow businesses including development of the waterfront and industrial parks.



GREEN – We value the environment

We encourage sustainable growth by continuing green practices and investing in climate adaptation initiatives with the implementation of the City of Saint John Corporate and Community GHG & Energy Action Plans.

Environmental Stewardship

- Demonstrate environmental stewardship and leadership by protecting our natural environment, adapting and mitigating the risks on city infrastructure associated with climate change.
- Implement climate change plans to reduce green house gas emissions.
- Align emerging trends and best practises to improve our response to climate change.



BELONG –We value a welcoming community

We enhance the quality of life and social well-being in a safe place to live; offering recreation, arts, and cultural opportunities that align with PlanSJ, PlaySJ and other related plans.

Livable Neighbourhoods

- Strengthen neighbourhood groups that offer programming to the community.
- Improve quality of life with targeted long-term neighbourhood planning.
- Facilitate a mix of affordable housing in all our neighbourhoods.

Vibrant City

- Cultivate community pride and unity by promoting beautification, arts, culture, and heritage.
- Foster diversity and inclusion.
- Maintain regional and district parks and enhance Dominion Park.
- Improve recreation programming, facilities, and infrastructure

Appendix A: Council's Priorities: 2021-2026



MOVE – We value sustainable transportation choice

We offer safe, accessible travel options for the movement of people and goods through trails, paths, sidewalks, and roads that align with MoveSJ and related plans.

Transportation & Mobility

- Connect neighbourhoods with safe, accessible, and integrated transportation options.
- Achieve a balance among transportation choices that meet community needs.
- Create a modern transit service based on data, innovation, and best practices.



PERFORM – We value the best use of our resources

We ensure the City is accountable for results in delivering public service by adhering to its plans, policies, procedures, and best practices.

Financial Health

- Ensure accountable and transparent financial management that adheres to the Long-Term Financial Plan.
- Leverage viable opportunities to generate alternate sources of revenue.

Transparent & Accountable

- Establish a performance management program to achieve results and drive continuous improvement.
- Enhance the business models, outcomes, and reporting of the City's agencies, boards, and commissions.

Core Service Delivery

- Enhance the customer service experience and response including the timely and consistent communication on service expectations.
- Explore opportunities for cost-sharing and working together in the region to efficiently deliver public service.



Appendix B: Saint John 10 Year Strategic Plan

Uplift the Community – The Strategic Plan Set out four goals to achieve our vision for serving Saint John



VIBRANT

We value a city that pulsates with life through arts, culture, recreation, education, employment, innovation and diversity.



PROSPEROUS

We are creating an environment where all our citizens, neighbourhoods, natural spaces and businesses thrive.



SERVICE

We are a professional public service and an engaged, informed community working together to ensure quality and innovative service delivery that benefits all citizens in a growing Saint John.



ACCOUNTABLE

We are committed, with our partner agencies, boards and commissions, to demonstrate transparency in financial stewardship, performance management and reporting outcomes so our taxpayers and customers see value in their investments.



Appendix B: Saint John 10 Year Strategic Plan (continued)

Summary of Action Items

- Enhanced or New Recreation Programs
- Active Transportation & Traffic Calming
- Invest in Parks & District Parks
- Affordable Housing Action Plan
- City Catalytic Projects
- Revitalization of the City Industrial Parks & Barge Terminal
- Developing framework for North End Neighborhood Plan
- Improve the municipal tax rate competitiveness
- Modernize, reliable & convenient public transit service
- Implement internal audit program





Appendix C: Base Case Model Output

City of Saint John
 2023 Long-Term Financial Plan Update - Base Model
 Year ended December 31

IN THOUSANDS OF DOLLARS ('000)

	2023B	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
REVENUES										
Residential Property Taxes	85,736	88,308	90,958	93,686	96,497	96,324	99,214	102,190	105,256	108,414
Industrial & LNG Property Tax	14,380	14,739	15,108	15,485	15,872	15,767	16,161	16,565	16,979	17,404
Non Residential Property Tax	41,990	43,249	44,547	45,883	47,260	47,175	48,590	50,048	51,549	53,096
SJE - Burchill Project Revenue	1,012	902	966	1,075	1,191	1,351	1,431	1,557	2,446	2,541
Equalization & Unconditional Grant	15,321	14,807	14,292	13,777	13,263	13,263	13,263	13,263	13,263	13,263
Regional Service Grant	547	500	500	500	500	500	500	500	500	500
PILT Adjustment	64	-	-	-	-	-	-	-	-	-
Transfer from Operating Reserves	800	-	-	-	-	-	-	-	-	-
All Other Revenues	15,685	15,569	15,665	15,762	15,860	15,959	16,060	16,161	16,263	16,366
TOTAL REVENUES	175,534	178,074	182,035	186,169	190,443	190,340	195,219	200,284	206,257	211,584
EXPENDITURES										
Salaries & Benefits	83,650	85,712	88,498	91,108	93,796	96,563	99,412	102,345	105,365	108,474
Other Goods & Services	58,635	58,703	59,966	61,289	62,736	63,900	65,090	66,305	67,547	68,816
10 Yr. Strategic Plan Initiatives	-	-	-	-	-	609	2,180	2,498	3,097	3,224
Fiscal Charges										
Interest	2,515	2,702	2,807	2,746	2,642	2,707	2,570	2,426	2,294	2,181
Principal	13,171	12,831	11,806	11,273	9,902	9,868	9,507	8,707	8,369	7,679
	157,971	159,949	163,076	166,415	169,075	173,648	178,759	182,282	186,672	190,374
PREVIOUS YEAR'S (SURPLUS) DEFICIT	(1,753)	(2,336)	-	-	-	-	-	-	-	-
OTHER CHARGES										
Pension	9,460	9,890	10,209	10,510	10,821	2,785	-	-	-	-
Pay-as-you-Go	5,650	6,350	4,949	5,443	6,748	9,757	11,925	13,044	14,160	15,273
Other	300	300	300	300	300	300	300	300	300	300
Transfer to Reserve	3,907	3,922	3,500	3,500	3,500	3,850	4,235	4,659	5,124	5,637
	17,564	18,126	18,959	19,754	21,368	16,692	16,460	18,003	19,584	21,209
TOTAL EXPENDITURES	175,534	178,074	182,035	186,169	190,443	190,340	195,219	200,284	206,257	211,584
SURPLUS / (DEFICIT)	-	-	-	-	-	-	-	-	-	-



Appendix D: Stretch Case Model Output

City of Saint John
 2023 Long-Term Financial Plan Update - Stretch Model
 Year ended December 31

IN THOUSANDS OF DOLLARS ('000)

	2023B	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
REVENUES										
Residential Property Taxes	85,736	90,023	94,524	98,852	101,897	100,947	102,944	106,006	108,961	112,233
Industrial & LNG Property Tax	14,380	14,811	15,292	15,764	16,056	15,755	15,952	16,348	16,764	17,267
Non Residential Property Tax	41,990	44,089	46,293	48,413	49,904	49,439	50,417	51,917	53,364	54,967
SJE - Burchill Project Revenue	1,012	902	966	1,075	1,191	1,351	1,431	1,557	2,446	2,541
Equalization & Unconditional Grant	15,321	14,807	14,292	13,777	13,263	13,263	13,263	13,263	13,263	13,263
Regional Service Grant	547	500	500	500	500	500	500	500	500	500
PILT Adjustment	64	-	-	-	-	-	-	-	-	-
Transfer from Operating Reserves	800	-	-	-	-	-	-	-	-	-
All Other Revenues	15,685	15,569	15,665	15,762	15,860	15,959	16,060	16,161	16,263	16,366
TOTAL REVENUES	175,534	180,701	187,533	194,143	198,672	197,214	200,567	205,752	211,561	217,137
EXPENDITURES										
Salaries & Benefits	83,650	85,712	88,498	91,374	94,344	97,410	100,576	103,845	107,220	110,704
Other Goods & Services	58,635	58,703	59,966	61,289	62,736	63,900	65,090	66,305	67,547	68,816
10 Yr. Strategic Plan Initiatives	-	689	3,276	5,052	5,299	5,558	5,832	6,121	6,426	6,747
Fiscal Charges										
Interest	2,515	2,702	2,807	2,711	2,609	2,677	2,507	2,350	2,189	2,032
Principal	13,171	12,831	11,806	11,206	9,835	9,801	9,374	8,541	8,136	7,346
	157,971	160,638	166,353	171,631	174,822	179,347	183,379	187,161	191,518	195,645
PREVIOUS YEAR'S (SURPLUS) DEFICIT	(1,753)	(2,336)	-	-	-	-	-	-	-	-
OTHER CHARGES										
Pension	9,460	9,890	10,209	10,541	10,884	2,810	-	-	-	-
Long-Term Disability	-	-	-	-	-	-	-	-	-	-
Pay-as-you-Go	5,650	6,873	7,671	8,671	9,366	11,127	12,895	13,898	14,911	15,878
Other	300	300	300	300	300	300	300	300	300	300
Transfer to Reserve	3,907	5,336	3,000	3,000	3,300	3,630	3,993	4,392	4,832	5,315
	17,564	20,063	21,180	22,512	23,850	17,867	17,188	18,591	20,043	21,492
TOTAL EXPENDITURES	175,534	180,701	187,533	194,143	198,672	197,214	200,567	205,752	211,561	217,137
SURPLUS / (DEFICIT)	-	-	-	-	-	-	-	-	-	-