



**City of Saint John
Finance Committee - Open Session
AGENDA**

Thursday, November 3, 2022

4:30 pm

Meeting Conducted by Electronic Participation

	Pages
1. Call to Order	
2. Approval of Minutes	
2.1. Minutes of September 28, 2022	1 - 4
3. Approval of Agenda	
4. Disclosures of Conflict of Interest	
5. Consent Agenda	
5.1. Saint John Police Force and Public Safety Communication Centre - 2023 Operating Budget (Recommendation: Receive for Information)	5 - 24
5.2. Update on Long-Term Financial Plan - General Fund and Utility Fund (Recommendation: Receive for Information)	25 - 27
6. Business Matters	
6.1. Unconditional Grant and Tax Base	28 - 80
6.2. 2023 Draft General Fund Operating Budget	81 - 130
6.3. 2023 Utility Fund Operating Budget	131 - 162
7. Adjournment	



The City of Saint John

MINUTES – OPEN SESSION FINANCE COMMITTEE MEETING
SEPTEMBER 28, 2022, AT 5:00 PM
MEETING CONDUCTED BY ELECTRONIC PARTICIPATION

Present: Councillor G. Sullivan
Councillor P. Radwan
Councillor G. Norton
Councillor D. Hickey

Absent: Mayor D. Noade Reardon

Also

Present: City Manager J. Collin
Commissioner of Finance and Treasurer K. Fudge
Commissioner Transportation & Environment M. Hugenholtz
Commissioner Saint John Water B. McGovern
Commissioner Growth & Community Services J. Hamilton
Commissioner Human Resources S. Hossack
Director Engineering and Chief City Engineer M. Baker
Director Financial Services J. Forgie
Director Financial Services C. Lavigne
Intermediate Accountant V. Parikh
City Clerk J. Taylor
Administrative Officer R. Evans
Administrative Assistant K. Tibbits

1. Meeting Called to Order

Councillor Sullivan called the Finance Committee open session meeting to order.

2. Approval of Minutes

2.1 Minutes of August 24, 2022

Moved by Councillor Hickey, seconded by Councillor Norton:
RESOLVED that the minutes of August 24, 2022 be approved.

MOTION CARRIED.

3. Approval of Agenda

Moved by Councillor Hickey, seconded by Councillor Norton:
RESOLVED that the agenda of September 28, 2022 be approved.

MOTION CARRIED.

4. Disclosures of Conflict of Interest

No disclosures.

5. Consent Agenda

6. Business Matters

6.1 2022 Bilateral Program Projects – Reserve Funding and Pre-approval of 2023 Utility Program Funding

Mr. McGovern noted that the cost of construction has increased significantly which has impacted previous cost estimates on several multi-year projects. Costs were estimated to escalate in accordance with historical and inflationary trends, not the double-digit increases being seen.

Mr. Baker reviewed the submitted presentation and discussed how funding might be allocated to complete the projects based on revised engineering estimates. It is in the City's best interest to get tenders out as early as possible. Supplemental funding is required for seven 2022 Bilateral funded projects. The supplemental funding is being requested based on the higher-than-expected tenders received in 2022.

Moved by Councillor Norton, seconded by Councillor Radwan:

RESOLVED that as recommended in the submitted report 2022 Bilateral Program Projects – Reserve Funding and Pre-approval of 2023 Utility Program Funding, the Finance Committee:

- Endorse the approval of the allocation of capital reserve funding (\$485,000) for the seven 2022 Bilateral funded projects as noted in Appendix A attached to the Finance Committee Report dated September 21, 2022 and titled *2022 General Fund – Bilateral Program Projects – Supplemental Funding*; and
- Endorse the allocation of \$170,000 of unallocated 2022 General Fund Capital Budget to the seven 2022 Bilateral funded projects as noted in Appendix A; and
- Endorse the pre-approval of the proposed 2023 Utility Fund Capital projects (Supplemental Funding) noted in Appendix B attached to the Finance Committee Report dated September 21, 2022 and titled *Preapproval of Utility Fund – 2022 Bilateral Program Projects (Supplemental Funding)*; and
- Recommend approval of the above noted items at the next meeting of Council.

MOTION CARRIED.

6.2 City of Saint John Natural Infrastructure Fund

Mr. Yamine provided an update on the City's funding application to the Natural Infrastructure Fund ("NIF") for Urban Tree Planting within the City of Saint John. Staff identified a list of capital projects that are aligned with the NIF program, Council Priorities for 2021 to 2025 and the 10 Year Strategic Plan. The Urban Tree Planting project was identified as a suitable candidate, taking into consideration the timeline to complete the work and alignment with various plans and priorities. There is opportunity to leverage capital funding from the new Natural Infrastructure Fund toward the City Urban Tree Planting Project. City funding will be covered under the operating budgets of 2023 and 2024.

Moved by Councillor Norton, seconded by Councillor Radwan:

RESOLVED that the submitted report Natural Infrastructure Fund – City Submission, be received for information.

MOTION CARRIED.

6.3 Recommended 2023/2024 General Fund and Utility Fund Capital Budgets

Mr. Fudge noted that a two-year draft capital budget for both the general fund and utility fund was presented at the last Finance Committee meeting. The two-year capital programs have a combined value of approximately \$90M with less than \$18M funding through new debt.

Mr. Lavigne provided explanation on the minor changes made from the first draft of the budgets, noting that most changes are based on updated information on funding opportunities, feedback from stakeholders, and more certainty around projects, with some projects being moved between budget

years. With the creation of the new Regional Service Commission, contributions are expected from the Commission as it relates to Capital renewal and funding which is included in the updated version.

Moved by Councillor Norton, seconded by Councillor Hickey:

RESOLVED that as recommended in the submitted report 2023 & 2024 Draft General and Utility Fund Capital Budgets, the Finance Committee adopt the following:

- The Finance Committee approve the 2023 and 2024 General Fund Capital Budget for \$62,570,055 with City Share of \$29,949,247 and Other Share of \$32,620,808 and forward to the next meeting of Common Council for receive and file; and
- The Finance Committee approve the 2023 and 2024 Utility Fund Capital Budget for \$27,237,067 with Utility Share of \$9,908,556 and Other Share of \$17,328,511 and forward to the next meeting of Common Council for receive and file.

MOTION CARRIED.

6.4 Council Professional Development Policy

Mr. Fudge noted that Council wanted structure to the way professional development opportunities are budgeted and allocated to elected officials. The Mayor and Council professional development policy sets criteria for eligible professional development activities, establishes protocol on the allocation of budget to Mayor and Council, ensures fairness and equity between Councillors with respect to usage of funds and instills reporting requirements for public transparency.

Moved by Councillor Radwan, seconded by Councillor Hickey:

RESOLVED that as recommended in the submitted report FAS-027 Mayor & Council Professional Development the Finance Committee endorse FAS-027 Mayor & Council Professional Development Policy as presented and that the Chair of the Finance Committee bring forth a recommendation to Common Council for approval.

MOTION CARRIED.

6.5 Grant Policy Update

Mr. Fudge stated that Council requested the development of a Grant Policy to strengthen grant oversight with best practices respecting application, eligibility, evaluation, reporting, strategic alignment, and accountability. Mr. Fudge provided an update on the public engagement process and updates to the draft policy since it was first seen in March 2022.

Moved by Councillor Hickey, seconded by Councillor Radwan:

RESOLVED that as recommended in the submitted report FAS 023 – Grant Policy the Finance Committee endorse FAS 023 - Grant Policy as presented and that the Chair of the Finance Committee bring forth a recommendation to Common Council for approval.

MOTION CARRIED.

6.6 Proposed Funding Plan for New Recreation Facility

Mr. Fudge stated that eight high impact initiatives were endorsed by Council as priorities for catalytic growth, including 4 key infrastructure projects and 4 advocacy projects. A key infrastructure project is a Comprehensive Recreation Facility, envisioned to be a large multi-purpose facility to replace the City's aging arena with space for sports, recreation, and arts. Although no engineering design or preliminary estimates have been conducted, it is reasonable to assume the construction of this facility could range between \$50-60M. For this project to be affordable, funding from other levels of government is required. To construct a catalytic recreation facility, a funding plan is required that is fiscally responsible and does not compromise the goals outlined in the long-term financial plan. An allocation up to \$3M per year (\$15M over 5 years) into a Recreation Facility capital reserve would need to be funded from the general operating budget. Finance also recommends consideration of a resolution of Council to direct staff to allocate any annual operating budget surpluses to a Recreation Facility capital reserve throughout the Council term.

Moved by Councillor Hickey, seconded by Councillor Norton:

RESOLVED that as recommended in the submitted report Proposed Funding Plan for New Recreation Facility, the Finance Committee endorse the following recommendations:

1. Direct staff to consider including in the draft 2023 General Operating Budget, conditional upon tax base growth and service level requirements, up to \$3 million dollars into a Recreation Facility Capital Reserve.
2. Recommend that Common Council resolve to allocate any operating surpluses over the Council term to a Recreation Facility Capital Reserve to support construction of a new Comprehensive Recreation Facility.
3. Recommend that Common Council direct staff to prioritize the pursuit of federal and provincial funding to support the project.
4. Direct the City Manager to discuss the project with the Regional Service Commission to determine if there is regional interest.

MOTION CARRIED.

7. Adjournment

Moved by Councillor Hickey, seconded by Councillor Norton:
RESOLVED that the Finance Committee meeting be adjourned.

MOTION CARRIED.

The Finance Committee open session meeting held on September 28, 2022, was adjourned at 6:15 pm.



REPORT TO SAINT JOHN BOARD OF POLICE COMMISSIONERS



OPEN SESSION

October 4, 2022

Members of the Board of Police Commissioners

SUBJECT

Saint John Police Force and Public Safety Communication Centre – 2023 Operating Budget

BACKGROUND

The purpose of this report is to provide the Saint John Board of Police Commissioners an overview of the 2023 Operating Budgets for the Saint John Police Force and the Public Safety Communication Centre.

REPORT

Saint John Police Force Operating Budget

The overall budget for expenditures is \$28,247,479 which consist of salaries and benefits of \$23,754,062 and good and services of \$4,493,417.

The overall increase in wages and benefits complies with the wage escalation policy. There is an addition position included in the 2023 budget which is a civilian non-union body camera coordinator and was identified as a need during the 2022 budget presentation.

Goods and Services submission is a significant increase over the previous year's budget, which has been mainly frozen since 2020. The previous year's budget submission highlighted several budgetary pressures that would materialize in 2023. These pressure's

Subject: Saint John Police Force & PSCC 2023 Operating Budget

included upcoming costs related to update the Force's records management system, increase for body camera system, need to segregate data on a separate servers and other information technology pressures.

The 2023 budget also has a number for unforeseen budget pressures such as inflationary increases related to insurance, fuel, ammunition, patrol equipment and various other goods and services.

The increase in goods and services over the 2022 operating budget is \$715,342. Summary below provides a high-level overview of the increases in goods and services.

Budget Variance

Technology Pressures	474,226.00	Body Camera, Records Management, IT infrastructure
Vehicles	82,631.00	Insurance, Fuel Cost
Legal	50,000.00	Contract negotiations preparation
Building Maintenance	28,650.00	Increase Internal Charges
Patrol Equipment	21,000.00	General Cost Increase
Identification Division	17,500.00	SOCA, Accident Reconstruction
Ammunition	15,000.00	Increase cost of ammunition
	<u>689,007.00</u>	

The budgetary pressures known last year, as well as the pressures due to the current economic environment cannot be offset within the existing goods and services budget.

The revenue budget for 2023 will be a total of \$275,000 which is a decrease of \$250,000 over the past year. The largest driver of the decrease relates to secondment revenue which will be zero for 2023.

Public Safety Communication Centre

The 2023 budget submission is \$2,976,457 which is an increase of \$187,034 over the 2022 approved budget. Wages and benefits proposed increase is \$93,139 and goods and service increase being proposed is \$93,895.

The salary and benefits budget complies with the wage escalation policy. Staffing does remain a challenge in the Centre and will continue to be the focus of management to recruit and maintain staffing levels.

Subject: Saint John Police Force & PSCC 2023 Operating Budget

On the expenditure side the only major increase in the annual cost of the Centre's new CAD system which is estimated at an additional \$80,000. There are some minor cost increases for other goods and service and to replace some equipment in the Centre.

Revenue projections for 2023 are anticipated to be \$1,247,670 which is a minor increase of \$33,870 over 2022.

Conclusion

The Police Force has consistently been good corporate citizens and have managed their budget accordingly to provide best value for taxpayers. However, as the Force along with City has entered a new era as it comes to Cyber Security. The investments that are being made in the Records Management System and CAD System has an increase in annual operating costs as shown in the 2023 budget submission.

The Force will continue to be diligent managing the operating budget however, there is very little control over rising fuel prices, increasing insurance rates, legal costs, vehicle maintenance parts cost as examples and these types of expenditures are not in the control of the Force.

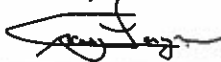
RECOMMENDATION

It is recommended that the Board approve the additional civilian body camera coordinator position as identified and the 2023 Operating Budget for the Saint John Police Force and the Public Safety Communication Centre as presented and forward the budget and resolution to the next meeting of Finance Committee.

Attached reports and documents:

- Appendix 1 - Saint John Police Force 2023 Operating Budget
- Appendix 2 - Public Safety Communications Centre 2023 Operating Budget

Respectfully submitted,



Craig Lavigne, CPA, H.B.Com
FINANCIAL CONTROLLER



Robert M. Bruce
CHIEF OF POLICE

The Saint John Police Force

2023 Operating Budget



	2023 Budget \$	2022 Budget \$
Expenditures by Division		
Administrative Services	1,987,487	1,835,003
Saint John Board of Police Commission	116,350	112,050
Support Services Division	1,925,494	2,224,375
Criminal Investigative Division	4,623,244	4,398,533
Patrol and Operations Services Division	17,342,680	15,136,000
Detention Services	179,975	176,575
Facility Management Services	966,100	937,450
Fleet Services	1,106,149	1,023,518
Total Expenditures by Division	28,247,479	25,843,504
Revenues		
Secondments	-	200,000
Prisoner Lodging	75,000	75,000
Accident Reports	20,000	20,000
Extra Duty Charges	50,000	100,000
Province of NB Cost Sharing Tunnel	55,000	55,000
Other Revenues	75,000	75,000
Total Revenues	275,000	525,000

	2023 Budget \$	2022 Budget \$
Expenditures by Category		
Salaries and Benefits	23,754,062	22,065,429
General Services	477,010	453,500
Insurance	90,000	80,700
Professional Services	358,400	315,000
Other Purchased Services	209,250	158,500
Repairs and Maintenance	668,090	115,150
Rentals	967,900	1,065,000
Purchased Goods	336,725	301,700
Internal Charges	960,642	868,375
Asset Purchases	425,400	420,150
Total Expenditures by Category	28,247,479	25,843,504

Public Safety Communications 2023 Operating Budget



	2023 Budget \$	2022 Budget \$
Expenditures by Category		
Salaries and Benefits	2,572,889	2,479,750
General Services	294,286	214,686
Repairs and Maintenance	44,000	42,000
Rentals	1,100	1,100
Purchased Goods	24,500	17,000
Computers	34,682	33,887
Asset Purchases	5,000	1,000
Total Expenditures by Category	2,976,457	2,789,423
<hr/>		
Revenues	1,247,670	1,213,800



Saint John Police Force 2023 Operating Budget

October 4, 2022



Recap of 2022 Operating Budget Presentation

Future Budgets – Pressure Points

- New Records Management system will have a significant increase in annual operating costs
- Body worn cameras – How to fund a full-time civilian staff needed to manage this program.
 - Reallocation of Goods and Service to pay for new staff member?
 - Hire staff member within wage envelope, could put additional pressures on staffing numbers based on resolution of Police Association expired Collective agreement?
- The Force has limited or no control of various budget items
 - Increased cost of IT Infrastructure
 - Increased cost of Insurance
 - Increased cost of Fuel and Maintenance Parts
 - Increased cost of Provincial initiatives
 - E Ticketing
 - E Court Disclosures



Saint John Police Force 2023 Operating Budget

2023 Operating Budget

- Wages and Benefit increase complies with Wage Escalation Policy
- Goods and Services have been frozen for last two years
- 2023 Operating Budget submission addresses a numerous pressures due to past two years budget freeze, current environment,(inflation, technology, etc.)



Saint John Police Force 2023 Operating Budget

The Saint John Police Force 2023 Operating Budget



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Saint John Police Force 2023 Operating Budget

The Saint John Police Force 2023 Operating Budget



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Saint John Police Force 2023 Operating Budget

The Saint John Police Force 2023 Operating Budget



	2023 Budget \$	2022 Budget \$
Revenues		
Secondments	-	200,000
Prisoner Lodging	75,000	75,000
Accident Reports	20,000	20,000
Extra Duty Charges	50,000	100,000
Province of NB Cost Sharing Tunnel	55,000	55,000
Other Revenues	75,000	75,000
Total Revenues	275,000	525,000

There is no anticipated secondment revenue for 2023 resulting in most of the variance.



Saint John Police Force 2023 Operating Budget

2023 Operating Budget Highlights

- Overall Expenditures - \$28,247,479
- Wage and Benefits based - \$23,754,062
 - Complies with Wage Escalation Policy
 - Includes additional FTE – Body Camera Coordinator (Non-Union Civilian)
- Goods and Services - \$4,493,417
 - Increase of \$715,342 over 2022 operating budget



Saint John Police Force 2022 Operating Budget

2023 Operating Budget Highlights

Increase in Goods and Services – “Dealing with the Pressures”

Budget Variance

Technology Pressures	474,226.00	Body Camera, Records Management, IT infrastructure
Vehicles	82,631.00	Insurance, Fuel Cost
Legal	50,000.00	Contract negotiations preparation
Building Maintenance	28,650.00	Increase Internal Charges
Patrol Equipment	21,000.00	General Cost Increase
Identification Division	17,500.00	SOCA, Accident Reconstruction
Ammunition	15,000.00	Increase cost of ammunition
	<u>689,007.00</u>	



Saint John Police Force 2023 Operating Budget

2023 Operating Budget

- Staffing Establishment
- 142 Sworn Members (No change from 2022)
 - 9 Managers
 - 133 Police Association
- 25 Civilian Members
 - Increase of 1 member – Body Camera Coordinator



Saint John Police Force 2023 Operating Budget

Conclusion

- The 2023 Operating Budget submission represents a large increase in technology – particularly with the operating increase related to the replacement of its record management systems
- Inflationary pressures related to fuel, insurance, building maintenance, patrol equipment and other goods cannot be absorbed within existing budget.
- The Police force will continue to focus on finding efficiencies, continuous improvement opportunities, following the Strategic plan, while providing value for taxpayer's money.



Saint John Police Force 2023 Operating Budget

Recommendation

“Recommend the Board of Police Commissioners approve the additional permanent full time body camera coordinator and the 2023 Operating budget as presented and forward a copy of the budget and resolution to Finance Committee.”





Public Safety Communications Centre 2023 Operating Budget

October 4, 2022



Public Safety Communication Centre 2023 Operating Budget

Public Safety Communications 2023 Operating Budget



	2023 Budget \$	2022 Budget \$
Expenditures by Category		
Salaries and Benefits	2,572,889	2,479,750
General Services	294,286	214,686
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Asset Purchases	5,000	1,000
Total Expenditures by Category	2,976,457	2,789,423
Revenues	1,247,670	1,213,800



Public Safety Communication Centre 2023 Operating Budget

2023 Operating Budget – Highlights

- Wages and benefits increase complies with wage escalation policy.
- Budget includes additional funding for new CAD system.
- 2023 Workforce Establishment same as 2022
 - 2 Civilian Manager
 - 24 Operator and Supervisors
 - 1 Admin Support
 - 1 CAD Specialist



Public Safety Communication Centre 2023 Operating Budget

Recommendation

“Recommend the Board of Police Commissioners approve the 2023 Operating budget for Public Safety Communication Centre as presented and forward a copy of the budget and resolution to the Finance Committee”

Questions?



FINANCE COMMITTEE REPORT

Report Date	October 31, 2022
Meeting Date	November 03, 2022

Chairman Sullivan and Members of Finance Committee

SUBJECT: Update on Long Term Financial Plan – General Fund and Utility Fund

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Finance Committee.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
Craig Lavigne	J. Brent McGovern/Kevin Fudge	John Collin

RECOMMENDATION

It is recommended that members of the Finance Committee receive and file this report.

EXECUTIVE SUMMARY

The purpose of this report is to provide Finance Committee with an update on timelines regarding the Long-Term Financial Plans for both the Utility Fund and General Fund. The timeline established as part of the 2022 work plan was to bring forward to the Finance Committee an updated General Fund Long Term Financial Plan as well as the first Long Term Financial Plan for the Utility Fund by the 4th Quarter of 2022. The proposed timelines for the completion and presentation of the two plans will be the 1st Quarter of 2023.

PREVIOUS RESOLUTIONS

N/A

STRATEGIC ALIGNMENT

This report aligns with Council’s Priority of Perform. The Long-Term Financial Plan for the General Fund is one the most important plans approved by Common Council. The plan sets out the financial principles, financial targets, and a roadmap for how the City should perform financially. The first Utility Fund plan will also set out the financial road map with targets and principles embedded in it.

REPORT

The purpose of this report is to provide Finance Committee an update on timelines with the Long-Term Financial Plans for both the Utility Fund and General Fund.

The timeline established as part of the 2022 work plan was to bring forward to the Finance Committee an updated General Fund Long Term Financial Plan as well as the first Long Term Financial Plan for the Utility Fund by the 4th Quarter of 2022.

The economic environment has changed drastically throughout the year. The Bank of Canada has raised interest rates six times thus far in 2022. The first-rate increase occurred on March 2, 2022 which moved that rate from .25 basis point to .50 basis points. The most recent rate announcement occurred on October 26, 2022, bringing the rate up to 3.75%.

Along with interest rate hikes the inflation rates seen in 2022 are the highest seen in almost 40 years. Inflation appears to be slowing down, however the next major issue facing Canadian is the possibility of a recession.

For the City of Saint John, the 2023 tax assessment grew by 8.76% which is up from 6.24% in 2022. The strong housing market has been the driver of much of the assessment growth. The Province also announced changes to the tax differential for Commercial and Heavy Industry for 2023, along with changes that will reduce the amount the City will receive in Unconditional Grant in the future.

The General Fund's current plan did not anticipate how volatile the current economic environment would be, the impact of Provincial tax reforms and Unconditional Grant change, as well as the potential for the City to reduce its tax rate by 16.5 cents over two years.

The Utility Fund model for the long-term plan has been drafted with the assistance of a 3rd party consultant. The model will take into consideration several factors, but the main driver will be the impacts of moving to Universal Metering for all potable users. The plan for the Utility is complicated due to the very large infrastructure deficit, lower growth rate than the General fund and the pressure of maintaining rates.

Conclusion

In conclusion, both plans are at different stages of completion, as there are many financial factors, as stated, which need to be carefully considered when providing the best plan moving forward for both funds.

Staff are advising the Finance Committee that the workplan will reflect changing the completion and presentation of both long-term financial plans from Q4 of 2022 to Q1 of 2023.

SERVICE AND FINANCIAL OUTCOMES

N/A

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

N/A

ATTACHMENTS

N/A



2023 General Operating Budget - Property Tax Multiplier & Equalization Grant Recommendations

Finance Committee – November 3rd , 2022



SAINT JOHN

A white calculator is positioned in the foreground, resting on a document. A pen is lying horizontally behind the calculator. The document contains various numbers and text, including '155,395.80' and a list of codes like 'CS00001', 'KMP00001', 'KMP00003', and 'KMP00002'.

2023 General Operating Budget - Property Tax Rates

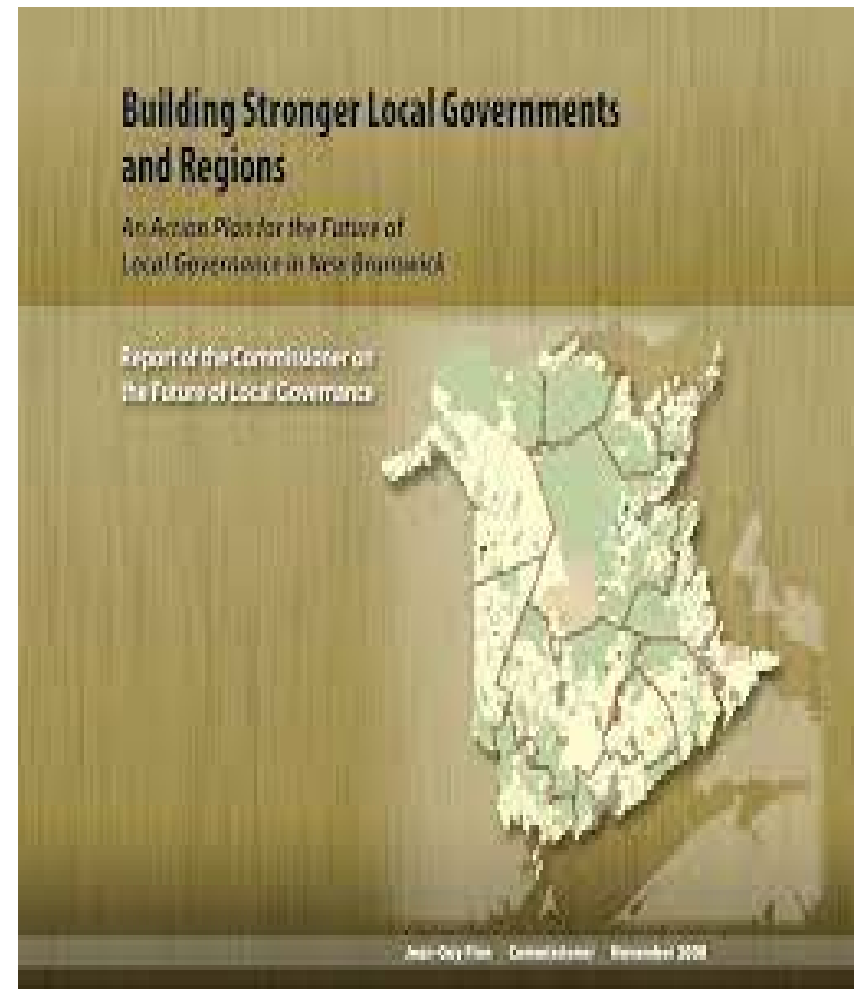
2008 Building Stronger Local Governments (Finn Report)

November 2008

- Jean Guy Finn authored “Building Stronger Local Governments and Regions with 91 Recommendations.

Recommendation 42

- Property Tax room be made available from the provincial government:
 - Reduce the provincial non-residential tax rate from \$2.25 to \$1.50. (Chapter 10)



2017 City Fair Taxation Report

On October 27th, 2017, Common Council adopted the following resolution as it related to the City of Saint John Fair Taxation report:

- Resolved that
 1. Common Council requests the Province vacate the levying of provincial property taxes to provide tax room for municipalities;
 2. Common Council requests the Province change legislation to provide municipalities control over setting tax classes and tax rates



2017 Tax Experts Enid Slack and Harry Kitchen

Slack and Kitchen state on page 9 of the report:

- *“The property tax is a good tax for local government but not necessarily appropriate to pay for the redistributive services provided by the Provincial government, such as education and health care. The Province should gradually get out of levying property taxes.”*

Slack and Kitchen state on page 53 of the report:

- *“Moreover, eliminating the provincial property taxes would reduce the pressure on the municipal property tax rate and increase transparency in the property tax system.”*
- *“It would also provide municipalities with needed tax room”*



2017 Tax Experts Enid Slack and Harry Kitchen

- **EXHIBIT 8**

<i>Property Tax Authority</i>	
<i>New Brunswick</i>	Provincial Restricts Non-Residential municipal tax base to 1.5 Times the residential rate
<i>Alberta</i>	Municipalities Free to Set Own Tax Rates without Provincial Restriction
<i>Nova Scotia</i>	Municipalities Free to Set Own Tax Rates without Provincial Restriction
<i>Prince Edward Island</i>	Municipalities Free to Set Own Tax Rates without Provincial Restriction
<i>Newfoundland</i>	Municipalities Free to Set Own Tax Rates without Provincial Restriction
<i>British Columbia</i>	Municipalities Free to Set Own Tax Rates but Province Regulate Special Rules
<i>Saskatchewan</i>	Municipalities are Free to Set Own Tax Rates but Province Can Set Limits
<i>Quebec</i>	Municipalities Are Free to Set Tax Rates But Province Sets Minimum and Maximums
<i>Ontario</i>	Municipalities Are Free to Set Different Tax Rates But Province Sets Fairness Limits

2017 Slack & Kitchen Benchmark Multiplier

Background – Slack and Kitchen Report - 2017

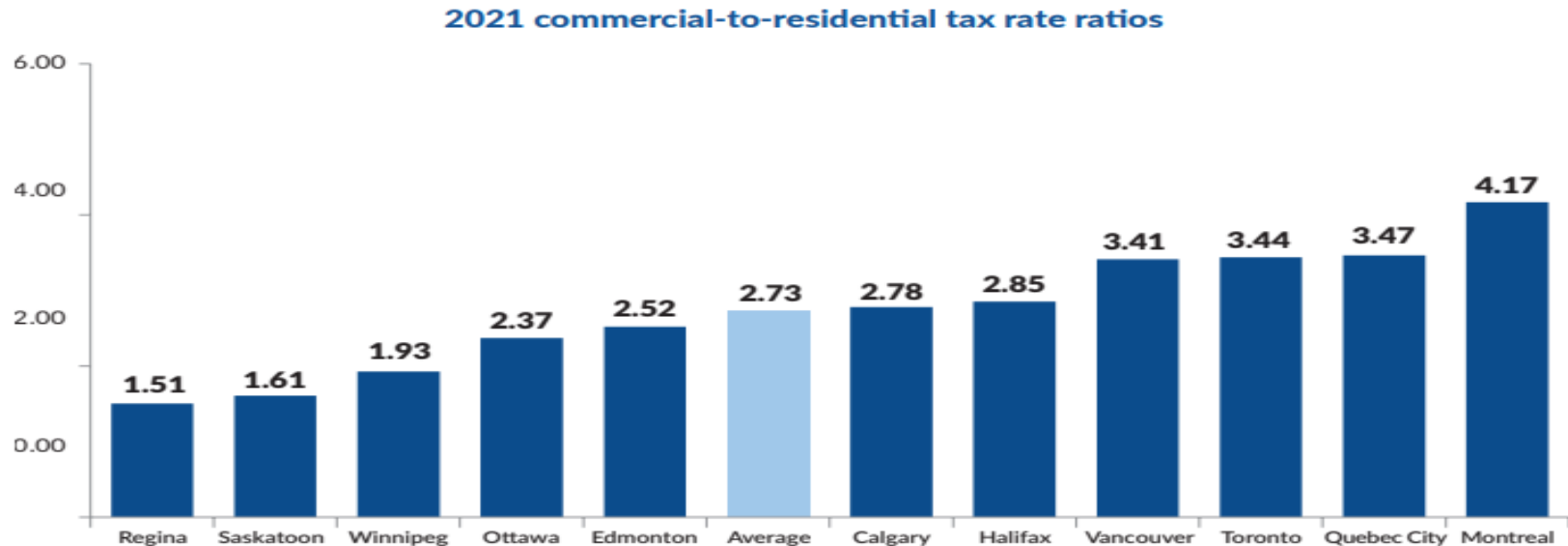
Table 11: Municipal Tax Ratios in Selected Canadian Municipalities, 2015

City	Commercial	Industrial	Major/large industrial
Saint John, New Brunswick	1.5000	1.5000	1.5000
Fredericton, New Brunswick	1.5000	1.5000	1.5000
Moncton, New Brunswick	1.5000	1.5000	1.5000
Sydney, Nova Scotia	2.4942	2.4942	2.4942
St. John's, Newfoundland	3.2346	3.2346	3.2346
Strathcona County, Alberta	1.9842	1.9842	1.9842
Regina, Saskatchewan	1.5123	1.5123	1.5123
Prince George, BC	2.0509	3.2980	6.0228
Sarnia, Ontario	1.6271	2.0476	3.0035
Sault Ste. Marie, Ontario	2.1404	2.9624	5.2614
Greater Sudbury, Ontario	2.1397	3.1038	3.5180

ALTUS GROUP 2021 Property Tax Benchmarking Study

2021 commercial-to-residential tax ratios of major urban centres across Canada

The graph below shows the 11 cities surveyed and their respective commercial-to-residential ratios. In 7 out of 11 municipalities across Canada, commercial tax rates are at least 2.5 times greater than residential tax rates.



Figures in this chart are calculated by dividing the commercial tax rate by the residential tax rate.

About commercial-to-residential tax ratios

Commercial-to-residential property tax ratios compare the commercial tax rate versus the residential tax rate. For example, if the ratio is 2.50, this means that the commercial tax rate is two-and-a-half times (2.5x) the residential tax rate.

Therefore, a commercial property would incur property taxes 2.5 times higher than an equally valued residential property.

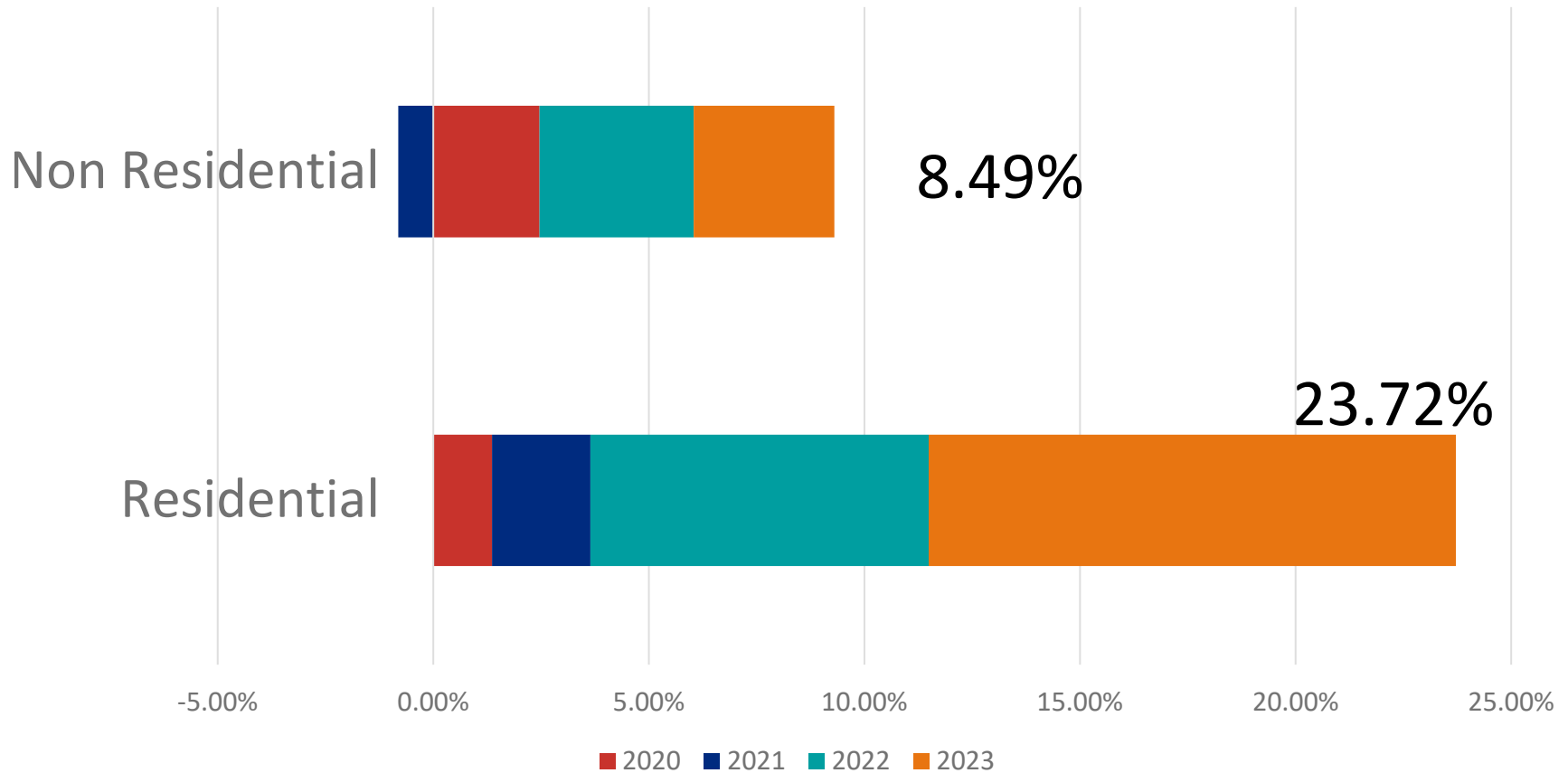
2022 Local Governance Property Tax Reform

- May 31, 2022 – Provincial Government introduced legislative amendments that would establish a new heavy industrial classification of property and permit local governments and rural districts to levy a corresponding local property tax rate.
- Effective for the 2023 property taxation year, the City has the option to set the local tax rate between 1.4 – 1.7 times the residential (current rate fixed at 1.5) for Non-Residential and Heavy Industry Classes.



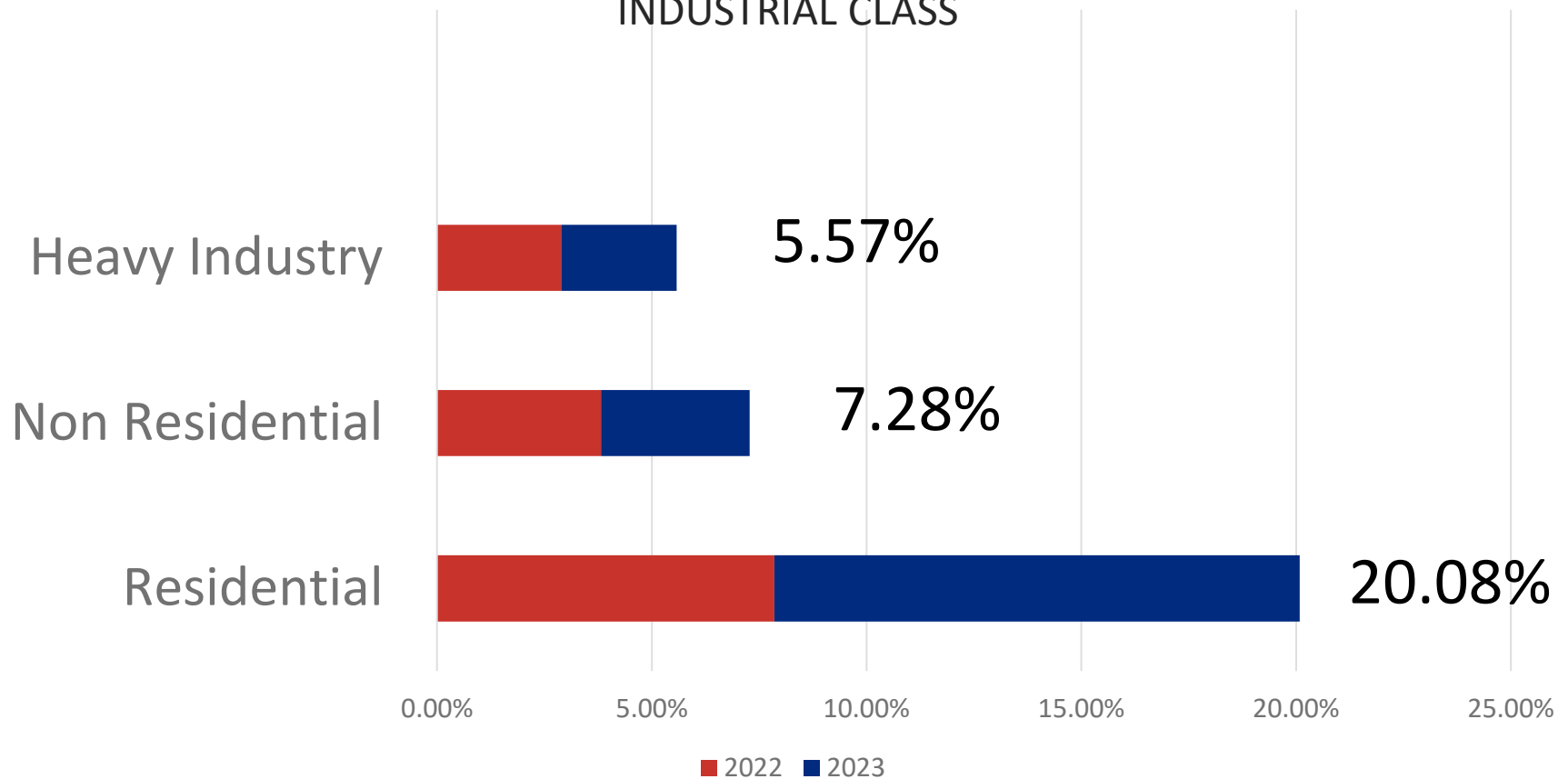
Saint John Tax Base Growth – 2020-2023

Non-Residential Class vs Residential Class Tax Base Growth

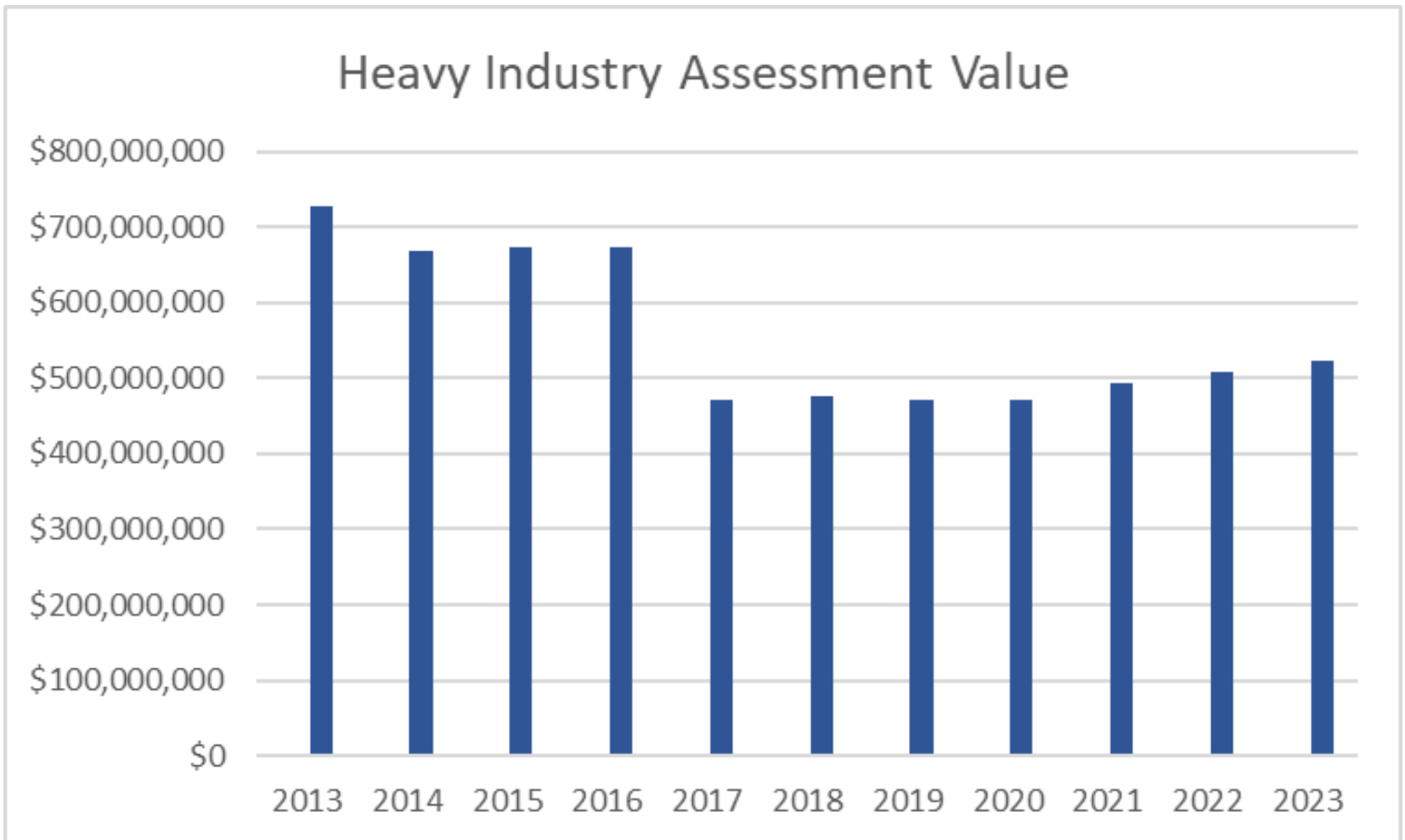


Saint John Tax Base Growth – Last 2 Years

RESIDENTIAL CLASS vs NON-RESIDENTIAL CLASS vs HEAVY INDUSTRIAL CLASS



Heavy Industrial Assessment 2013-2022



Heavy Industrial – Property Tax Rates

Background - Gardner Pinfold – Industrial Report Jan 20, 2020

- **Cost-recovery summary**
- Bringing together the cost and benefit findings we have the following summary observations:
 - Direct costs - \$2.5 million for roads, \$1.2 million for fire, and not quantified for police
 - Opportunity costs – up to \$32 million for lost residential property tax revenues and lost residential properties
 - Benefits – About \$12 million in municipal tax revenue from heavy industrial properties

Provincial Property Tax Room

Provincial Budget 2022-2023 proposes that over the next three years, beginning in 2022, the Provincial Property Tax Rate for non-residential properties be reduced by **15%**, from \$2.1860 to \$1.8560 (*Tax Room*)

	Assessment	Provincial Tax (2.186)	Provincial Tax (1.856)	Tax Room
Non Residential	\$ 1,524,674,900	\$ 33,329,393	\$ 28,297,966	\$ 5,031,427
Heavy Industry	\$ 522,135,900	\$ 11,413,891	\$ 9,690,842	\$ 1,723,048
Total	\$ 2,046,810,800	\$ 44,743,284	\$ 37,988,808	\$ 6,754,476

2023 Non Residential Multiplier from 1.5 to 1.7

Non-Residential Tax Room				
Assessment		\$ 1,524,674,900	\$ 1,524,674,900	
Multiplier		1.7	1.5	
Tax Rate		1.62	1.71	
Non Residential Class		2023 Taxes	2023 Taxes	Difference
Non -Res Municipal Tax Revenue		\$ 41,989,547	\$ 39,107,911	\$ 2,881,636
15% Provincial Tax Room		-\$ 5,031,427		-\$ 5,031,427
		\$ 36,958,120	\$ 39,107,911	-\$ 2,149,792

Recommendation: City Enter Tax Room to Reduce the Property Tax Rate (increase multiplier from 1.5 to 1.7).

- Aligns with LTFP to Reduce Tax Rate
- Aligns with Fair Taxation Report for City to Enter Provincial Tax Room
- All revenue used to reduce municipal property tax rate
- Non Residential Customers total tax burden is lower from 15% reduction in Provincial Property Tax Rate.
- Aligns with Strategic Plan and reduces tax rate for new housing

2023 Heavy Industry Multiplier from 1.5 to 1.7

Heavy Industrial Tax Room			
Assessment	\$ 522,135,900	\$ 522,135,900	
Multiplier	1.7	1.5	
Tax Rate	1.62	1.71	
Heavy Industry Class	2023 Taxes	2023 Taxes	Difference
Non -Res Municipal Tax Revenue	\$ 14,379,623	\$ 13,392,786	\$ 986,837
15% Provincial Tax Room	-\$ 1,723,048		-\$ 1,723,048
Total Taxes Paid	\$ 12,656,574	\$ 13,392,786	-\$ 736,212

Recommendation: City Enter Tax Room to Reduce the Property Tax Rate (increase multiplier from 1.5 to 1.7).

- Aligns with LTFP to Reduce Tax Rate
- Aligns with Fair Taxation Report for City to Enter Provincial Tax Room
- All revenue used to reduce municipal property tax rate
- Non Residential Customers total tax burden is lower from 15% reduction in Provincial Property Tax Rate.
- Aligns with Strategic Plan and reduces tax rate for new housing

2023 General Operating Budget

2023 Property Tax Increase per Class

Saint John Municipal Property Tax Increase					
	2023	2022	Change	% Change	
Residential Class	\$ 85,736,240	\$ 80,637,439	\$ 5,098,801	6.32%	
Non-Res Class	\$ 41,989,547	\$ 37,798,907	\$ 4,190,640	11.09%	
Heavy Industry	\$ 14,379,623	\$ 13,042,520	\$ 1,337,103	10.25%	
	\$ 142,105,410	\$ 131,478,866	\$ 10,626,544	8.08%	
Non-Residential Tax Increase (after tax room)					
	2023	2022	Change	% Change	
Non-Res Class	\$ 41,989,547	\$ 37,798,907	\$ 4,190,640	11.09%	
Prov Tax Room (15%)	-\$ 5,031,427		-\$ 5,031,427		
Total	\$ 41,989,547	\$ 37,798,907	-\$ 840,787	-2.22%	
Heavy Industry Tax Increase (after tax room)					
	2023	2022	Change	% Change	
Heavy Industry Class	\$ 14,379,623	\$ 13,042,520	\$ 1,337,103	10.25%	
Prov Tax Room (15%)	-\$ 1,723,048		-\$ 1,723,048		
Total	\$ 12,656,575	\$ 13,042,520	-\$ 385,945	-2.96%	


Conclusion

- Recommendation aligns with City's Fair Tax Report 2017
- Province transfer of Tax Room should be commended as a good starting point
 - Province Vacating 15% to allow Municipalities to enter
 - City Fair Tax request is 100% (To eliminate reliance on Provincial Grants and Reduce the Municipal Tax Rate such that there is no increased tax burden on the customer)
 - Finn Report recommends Non-Residential Provincial Rate of 1.50, equivalent to 31.4%
- Tax room allows the City to generate an additional \$4.2M in taxes from Non-Residential Class and \$1.3M in taxes from Heavy Industrial Class by moving the multiplier from 1.5 to 1.7. **All revenue will be used to reduce the tax rate.**
- Non-Residential Class & Heavy Industrial class multiplier increase is more than offset by the City's tax rate reduction & the 15% reduction in the Province's Property Tax Rate. (City enters tax room)
- Residential Tax Rate Reduction (1.71 to 1.62) will still increase residential property tax revenue by 6.32%. **(Need separate classes and rates)**
- Recommendation to reduce residential property tax rate strategic to attract new investment in residential units.

Property Tax Multiplier

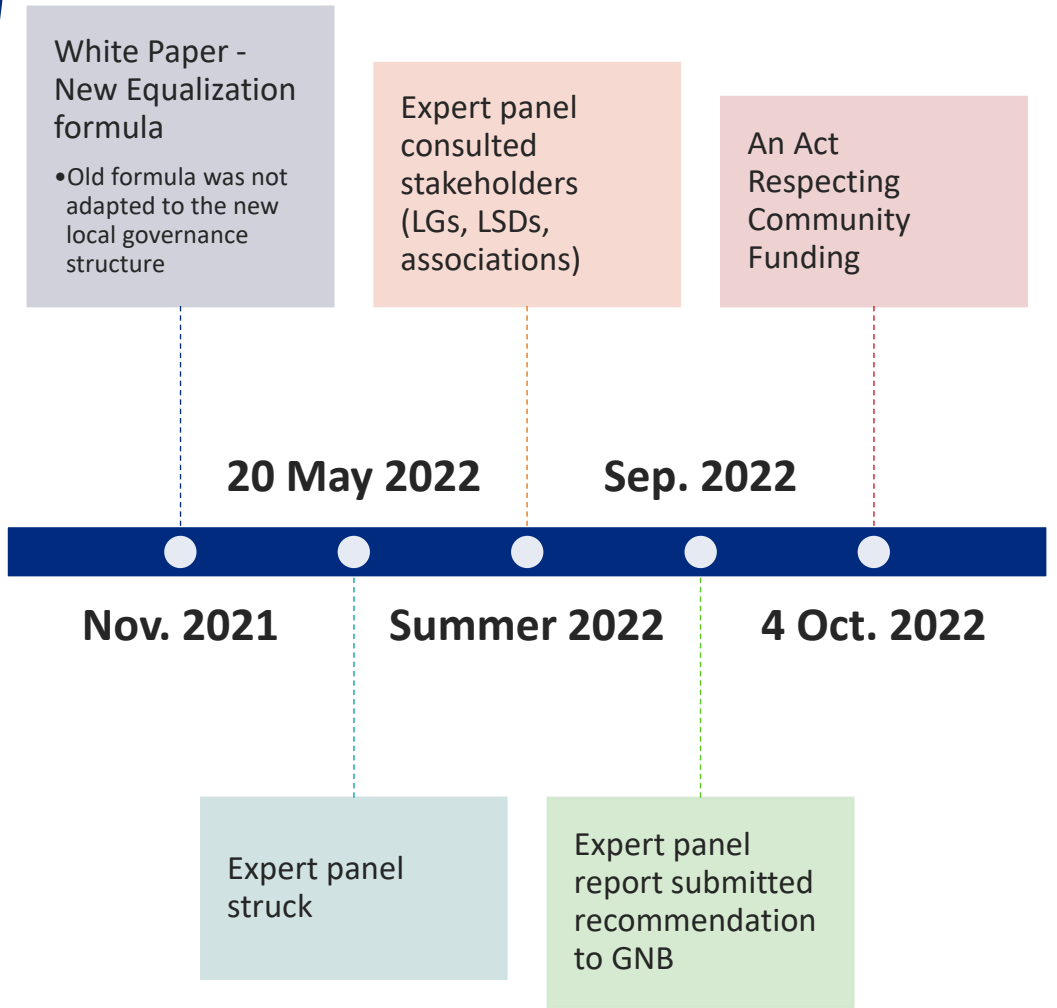
Recommendation

- “It is recommended the Finance Committee endorse moving Non-Residential & Heavy Industrial property tax multipliers from 1.5 to 1.7 for the 2023 operating budget.



Equalization
& Regional
Service
Commission
Grant

Core Funding & Equalization Grant



Expert Panel Equalization

- Expert Panel was tasked with identifying, assessing, and proposing options related to a new system of fiscal transfers between the Province of New Brunswick and Local Government entities.
- The report was written by former provincial civil servant Nora Kelly and Pierre-Marcel Desjardins, a Université de Moncton professor with expertise in economics and local government.
- 21 Page Report published in September 2022
- Recommendation:
 - New Formula
 - Eliminate Core Funding Component
 - Index Equalization to Provincial Tax Base Growth

Expert Panel Recommendation

Expert Panel Recommended Formula:

1. Compare average tax base per capita vs average tax base per capita of the municipality's group
2. Measure the dollar value of the gap to measure the equalization that the municipality should receive:

Gap X population X average tax rate of the group / 100.

3. If the municipality's own tax rate is below the group average, the municipality's tax rate should be used in the above calculation.

Saint John Equalization Based on Expert Panel Recommendation

	<u>Tax Base</u>	<u>Population</u>	<u>Tax Base Per Capita</u>	<u>Tax Rate</u>
Saint John	\$ 8,362,576,700	69,895	\$ 119,645	\$ 1.7100
Moncton	\$ 11,411,206,800	79,470	\$ 143,591	\$ 1.5472
Fredericton	\$ 10,147,790,200	63,116	\$ 160,780	\$ 1.4086
Average	\$ 9,973,857,900	70,827	\$ 141,339	\$ 1.5553
Saint John Gap	\$ 21,694	(\$141,339-\$119,645)		
Saint John Population	69,895			
Group Ave. Tax Rate	\$ 1.5553			
Equalization Calc.	\$ 23,582,424			

This would have been phased in over 5 years, with only 20% of this formula in 2023

Other Expert Panel Recommendations

1. Initial Budget based fully funding recommended formula
2. New Services mandated in the Regional Service Commission be funded 50/50 by the Provincial Government and the Municipalities through property tax room transfer.
3. Province should review the property assessment process
4. Phase 2 – Comprehensive Property Tax Reform
 - Municipalities need more sources of revenue given downloading of new service mandates to RSC.
 - Explore Transferring more Property Tax Room, Cannabis Revenue Sharing, Sharing Provincial Sales Tax, Enhancing HST Rebate for Municipalities, Property Tax Exemption for Local Government properties

Provincial Recommendation

2023 Provincial Formula:

1. Used 2022 Base Equalization Grant
2. Adjust 2022 Base Equalization for Growth > 3%
3. Eliminate Core Funding (Phase out over 5 years)
4. Reallocate Core funding to Regional Service Commissions
5. 20% of Core Funding will be rebated as a Regional Service Commission Grant
6. 2024 & beyond, rest of Core funding program will be transferred to a Provincial Designated Fund that will make funds available to the RSC by application to cover costs of projects related to their regional strategy. (50/50)
7. Annual budget frozen at \$75.6M for five years

Saint John Core Funding & Equalization Grant

		Direct Municipal Funding		
		2023	2022	Change
<i>Core Funding & Equalization</i>		\$ 2,058,534	\$ 2,573,168	-\$ 514,634
<i>Equalization</i>		\$ 13,262,898	\$ 14,073,951	-\$ 811,053
<i>RSC Grant</i>		\$ 546,630	-	\$ 546,630
Total		\$ 15,868,062	\$ 16,647,119	-\$ 779,057
		Direct Municipal Funding		
		2027F	2022	
<i>Core Funding & Equalization</i>		\$ -	\$ 2,573,168	-\$ 2,573,168
<i>Equalization</i>		\$ 13,262,898	\$ 14,073,951	-\$ 811,053
<i>RSC Grant</i>			\$ -	\$ -
Total		\$ 13,262,898	\$ 16,647,119	-\$ 3,384,221

Regional Service Commission

- Regional Service Commission will be able to apply for funding to reduce municipal costs (50/50) for projects within its mandate including:
 - Economic Development
 - Tourism
 - Regional Sport, Recreational, and Cultural Infrastructure Planning and Cost-Sharing
 - Regional Policing Collaboration
 - Regional Emergency Measures Planning
 - Solid Waste Management

Core Funding & RSC Allocation

	<u>Core Funding</u>	<u>%</u>	<u>RSC Grant</u>	<u>%</u>
Saint John	\$ 2,573,168	89%	\$ 546,630	57%
Rothesay	\$ 130,973	5%	\$ 107,734	11%
Quispamsis	\$ 115,254	4%	\$ 143,486	15%
Hampton	\$ 36,775	1%	\$ 57,601	6%
Grand Bay-Westfield	\$ 14,379	0%	\$ 35,359	4%
Fundy RD	\$ 6,310	0%	\$ 42,902	4%
Fundy St. Martins	\$ 2,120	0%	\$ 24,118	3%
	\$ 2,878,979	100%	\$ 957,830	100%

Benefit/Loss in RSC Core Funding Reallocation

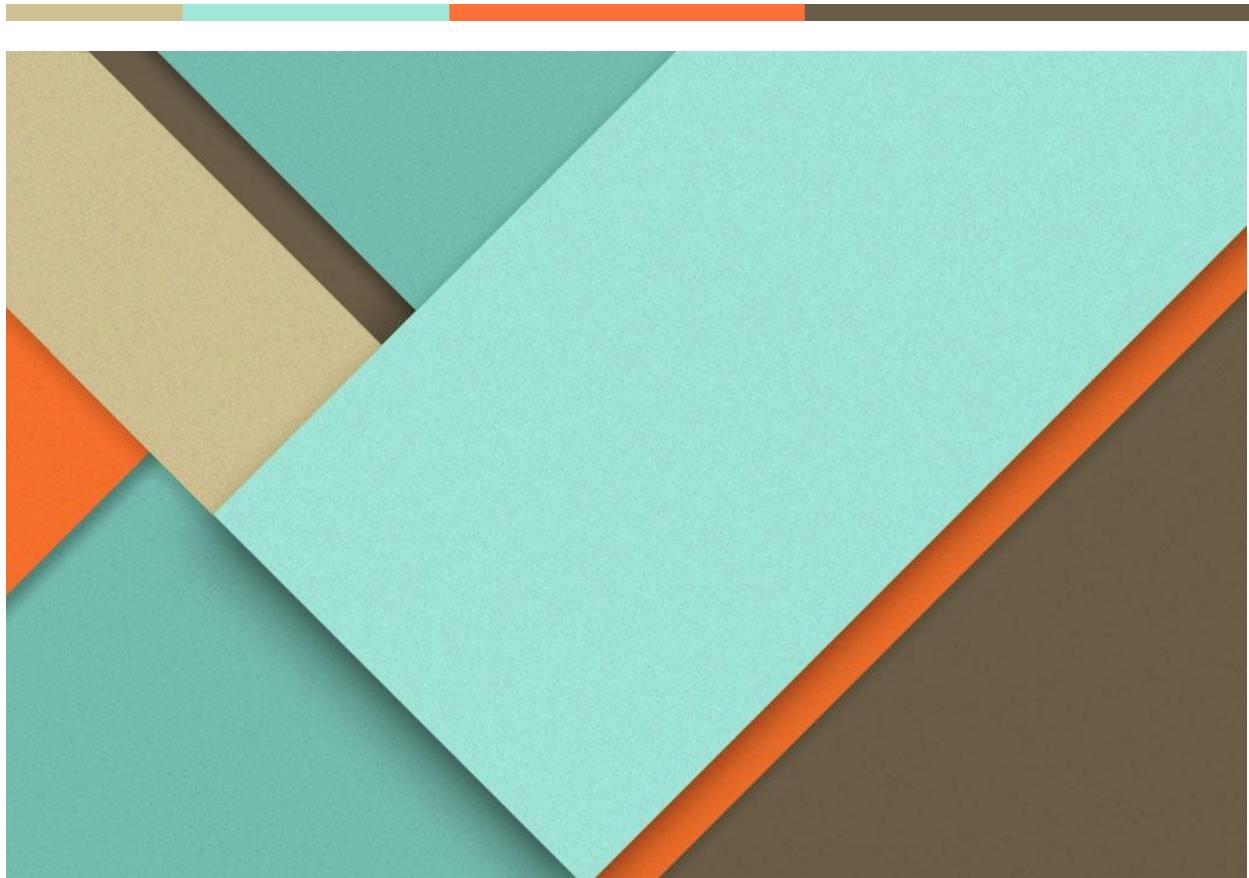
	<u>Core Funding %</u>	<u>RSC Funding %</u>	<u>Core Funding</u>	<u>RSC Benefit</u>	<u>Benefit/Loss</u>
Saint John	89%	57%	\$ 2,573,168	\$ 1,643,023	-\$ 930,145
Rothesay	5%	11%	\$ 130,973	\$ 323,819	\$ 192,846
Quispamsis	4%	15%	\$ 115,254	\$ 431,280	\$ 316,026
Hampton	1%	6%	\$ 36,775	\$ 173,133	\$ 136,358
Grand Bay-Westfield	0%	4%	\$ 14,379	\$ 106,280	\$ 91,901
Fundy RD	0%	4%	\$ 6,310	\$ 128,952	\$ 122,642
Fundy St. Martins	0%	3%	\$ 2,120	\$ 72,492	\$ 70,372
	100%	100%	\$ 2,878,979	\$ 2,878,979	\$ -

Conclusion

1. Expert Panel Equalization Formula based on fiscal capacity and would have benefited Saint John
2. Expert panel recommendations on Phase 2 tax reform is good for all municipalities in New Brunswick.
3. Provincial equalization recommendation is based on old formula and 2022 economic factors – does not reflect updated 2023 differences in fiscal capacity.
4. Provincial equalization adjustment for growth over 3% appears to be arbitrary.
5. The Transfer of Core Funding to RSC reduces Saint John benefit and improves all other municipalities benefit in the region.
6. Until Core Funding is phased out in 2027, Saint John should treat core funding payments as “one time” payments (pursuant to Operating Budget Policy) and not relied upon to fund annual reoccurring operating costs.

Recommendation

1. Common Council draft a letter to the Province in support of the Expert Panel recommendations
2. Provincial Core Funding grant revenues be treated as “one time” revenue until such time core funding grant is phased out in 2027.



Report of the Expert Panel on Provincial Municipal Fiscal Arrangements in New Brunswick

September 2022



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Vibrant and Sustainable Communities – Community Funding and Equalization Grants


Executive Summary

The Expert Panel was tasked with identifying, assessing, and proposing options related to a new system of fiscal transfers between the Province of New Brunswick and Local Government entities suited to the new local governance system as laid out in Working Together for vibrant and sustainable Communities, White Paper, 2021. The Panel was asked specifically to examine the system of community financing and equalization grants and to recommend a new system of fiscal transfers between the Province and Local Governments. The Panel researched the history of Provincial-Municipal transfers in New Brunswick and in Canada to study success and failure in meeting their intended purposes especially regarding equalization. Differences in approaches in the use of conditional and unconditional grants, utilization of other revenue sources to supplement property tax and user fees were all examined in the context of the reforms to local government as set out in the White Paper. The Terms of Reference for the Expert Panel are attached for ease of reference.

Phase Two Finances, as outlined in the White Paper, was not part of the work of the Panel and time did not permit a thorough review that is essential as reforms progress. The Panel does however recognize that a new equalization formula cannot be looked at in isolation of an overall funding strategy and as such has some recommendations for Phase 2 deliberations.

The vision for the future of local governments in New Brunswick is clearly and succinctly articulated in the White Paper as vibrant and sustainable communities working together to enhance the quality of life for all New Brunswickers. This policy objective clearly sets the stage for the collective efforts of all New Brunswickers and their local governments to work toward achieving.

This is the first significant strategic reform of local government in New Brunswick in 55 years. The province will move from 340 local entities to 77 local governments and 12 rural



districts. Collaboration is key to reform and as such the mandates of the 12 Regional Service Commissions will be strengthened to promote cooperation and collaboration among communities in regions.

To guide its work on recommending a new system of fiscal transfers the Panel turned to the White Paper's guiding principles and criteria used in its strategic restructuring. Of particular importance were the following:

1. upholding the principles of Equal Opportunity such that all New Brunswickers enjoy comparable minimum standards of services and opportunities at comparable tax rates, regardless of the financial and economic opportunities of their locale.
2. increasing the capacity of communities through larger tax bases such that residents enjoy a higher and more sustainable level of service

Principles

The goal of equalization is to allow citizens to receive a reasonably comparable level of service at a reasonably comparable level of taxation. In Canada, Equalization is embedded in the Constitution: "Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation". (Subsection 36(2) of the Constitution Act, 1982)

In our report, the goal is to increase the fiscal capacity of municipalities such that municipalities have the financial resources to allow them to offer comparable services at a reasonable, yet comparable level of taxation. The proposed formula does not identify or dictate which services should be offered by municipalities but rather respects the autonomy of locally elected officials to make these decisions. Thus, services across municipalities may vary.



The Panel recommends the following:

1 - The formula is based on fiscal capacity to equip local governments with a grant that will enable them to grow their tax rates to meet the average of their group.

2 - Five groupings of municipalities as follows:

1 - Cities with a population of more than 40,000

2 - Cities with a population of less than 40,000

3 - Municipalities with a population of more than 10,000

4 - Municipalities with a population of less than 10,000

5 - Rural districts

3 - Transition period of five years

4 - Elimination of the core funding grant in the equalization program.

5 - Additional services offered by the Regional Service Commissions to be funded 50/50 by the provincial government and the municipalities. The province's share should be linked to the tax base, increasing as the value of the tax base increases, distributed on a per capita basis.

6 - The Panel recommends that the Equalization formula includes a component to recognize that roads in old local service districts (LSDs) will be financed by the provincial government.


7 - The Panel recommends that the Equalization Program should have an initial budget sufficient to bring everybody's capacity at their groups average.

8 - The Panel recommends that in the future, the Equalization Program budget be increase proportional to the increase of the province's tax base.

9 - The Panel recommends that the three-year averages be used for tax base and population, to reduce fluctuation and increase certainty for program recipients.

10 - The Panel recommends that the Equalization Formula be reviewed at the end of the five-year transition period to ensure it remains valid and more work be conducted in Phase 2 - Finances on other potential revenue sources that may be more appropriate after five years of experience with the reforms.

11 - The Panel recommends that varied potential additional revenue sources be further explored in Phase 2 - Finances.



12 – The Panel recommends an analysis of the province’s property assessment process, as it is a fundamental element of the Equalization Program.

Provincial-Municipal Grant Funding in New Brunswick – A brief History

The history of provincial-municipal funding arrangements in New Brunswick has been well documented and studied in the years since the 1963 New Brunswick Royal Commission on Finance and Municipal Taxation commonly known as the Byrne Report.

The report recommended a new governance model as key to a prosperous and self-sufficient New Brunswick. The Province would assume responsibility for the provision and financing of services to people such as education, health, justice, and social services while local governments would provide services and funding to properties.

Property taxes from tax rates on both residential and non-residential property were the main sources of revenue for this new municipal governance model. Other municipal revenue was raised by various fees levied on property for such things as water and wastewater disposal. As the Province required more revenue for services for which it was responsible than it could raise through its own sources, namely income tax, sales tax, and federal transfers, it was determined that the Province and local governments would share the property tax field. That is to say, that both the Province and local governments would levy taxes on real property. Additional tax revenue was also required by the Province as it retained responsibility for the provision and payment of municipal-like services for LSDs. This sharing of property tax room remains to this day.

Byrne acknowledged the need for provincial-municipal grant funding to complement the revenue raised by property tax. An unconditional core funding grant was put in place for municipalities to cover the fiscal gap created due to insufficient property tax revenue to cover the expenditure needs of municipalities. In support of the principles of Equal Opportunity an equalization grant was instituted to address differences in the capacity of municipalities' ability to raise revenues to provide comparable services at comparable tax rates.


Provincial-Municipal Transfers

History shows that the original formulas were amended or suspended with regularity over the years. From 1974 until 2021 the formula was amended seven times to incorporate such variables as density, expenditures, average expenditures, and fiscal capacity. Equalization necessitates the grouping of reasonably similar types of communities to allow for fair comparisons regarding relative financial need and or capacity. Communities with similar populations have similar service demands and as such offer a reasonable basis for comparison purposes. Over the years the grouping methodologies have changed to reflect for example new census information or changes to the industrial base of any given community.

In 2008, the Finn Report, *Building Stronger Local Governments and Regions*, proposed sweeping reform of local governance including their fiscal arrangements. This was the first system wide review and recommendations for the future of local governance since the 60s. The preservation of the basic premise of Equal Opportunity in Finn's proposed governance model, set the tone for fiscal reform. It endorsed a new equalization formula based on three groupings of municipalities by population, elimination of the unconditional grant or core funding, and proposed a tax room transfer. The Province would vacate a portion of the Provincial share of property tax allowing local governments to occupy that space. The Finn report was not implemented but it helped inform the 2021 White Paper.

The 2001 Action Plan for a New Local Governance System in New Brunswick addressed community funding arrangements and introduced generally accepted Principles of Public Finance to guide the development of a new formula for funding. The principles enunciated were equity, accountability, predictability, simplicity, and viability. They remain as relevant a decade later and they guided the Panel's formulation of the recommended 2022 equalization formula.

The Community Funding and Equalization Grant was implemented in 2013 and included changes to the cost sharing of policing services and local taxation for LSDs. The grant included an unconditional transfer payment for core funding and the Equalization grant was tied to expenditure and fiscal capacity. The Community Funding and Equalization Grant addressed the principles of predictability, stability, and simplicity. This formula remained in place until 2021



The history of the efforts of many governments, municipal organizations, and various experts at designing an equalization formula that is acceptable to local governments and the provincial government has proven to be problematic over the years. The formula applications over the years and the suspensions of various formulas for prolonged periods have shown that unanticipated consequences can and do occur:

- A formula based on fiscal effort which took municipalities expenditures into consideration, resulted in rewarding spending, which greatly benefited some and penalized others.
- At its highest the grant pool funded 32.2% of net budgets because of the absence of a fully functioning formula. The unconditional grant was not a reflection of the municipalities' needs nor of their ability to raise revenue.
- Years of reductions in provincial funding as a cost-saving measure reduced the size of the grant pool resulting in higher property taxes and/or a decrease in municipal services.
- Poorly designed formulas or lack of formulas did not serve their intended purpose of increasing the fiscal capacity and financial autonomy of local governments and thereby reducing or eliminating dependence on provincial transfers.
- The Principles of Public Finance often did not guide the development of the funding mechanisms such that they were perceived as fair, providing adequate funding to meet local governments' needs, simple, easily understood and explained, transparent and providing adequate funding to facilitate longer term planning.



Provincial-Municipal transfer systems across Canada

The White Paper of 2021's policy objective of vibrant and sustainable communities can only be realized if local governments have the necessary resources to meet their existing needs and to finance their evolving mandates. All municipalities across Canada have many of the same challenges as those in New Brunswick and although there are similarities in the provincial-municipal arrangements across Canada there are also some marked differences. The Panel looked at funding arrangements of municipalities and regions of provinces including the cities.

Equalization Grants and Unconditional Transfers

Provincial-Municipal equalization grants in Canada all have the same goal of ensuring that local governments can provide reasonably comparable levels of service at reasonably comparable tax rates to their citizens. The notion of Provincial-Municipal equalization is based on the Federal-Provincial Equalization embedded in Subsection 36 (2) of the Constitution Act, 1982. The Act states: “Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.”


These transfers can be unconditional and come in the form of revenue sharing or as equalization or other schemes. Transfers can also take the form of conditional grants which as the name suggests, come with prescribed conditions for their use. Both kinds of grants have a role in municipal funding:

Unconditional grants provide autonomy to local governments to determine the priorities of its citizens in terms of services and programs they expect. They require that local governments be accountable for policy decisions and for the execution of those decisions.

Conditional Transfers

Conditional grants are the most used form of provincial-municipal transfers in Canada. Alberta is an outlier receiving 100% of its provincial-municipal transfers as conditional grants. By contrast, New Brunswick receives 35% conditional grants.

Conditional grants are generally used in the funding of capital projects or for the provision of services and programs that are of benefit to both the provincial and local government. The largest conditional transfers in Canada are for transportation, infrastructure, environment (water and sewage) and in Ontario and Alberta for social services. The federal government also funds federal-municipal initiatives of interest to both levels as conditional grants.



The Panel is of the view that unconditional grants allow more autonomy to local governments to set their own priorities in the provision of services for which they are fully accountable to the citizenry. As noted above however conditional grants are suited to the realization of initiatives that benefit both local governments and provincial and federal governments and for the provision of social services.

Unconditional Transfers

The systems of provincial-municipal transfers in Canada bear similarities in how municipal governments are funded for the purpose of equalization and reducing fiscal gaps. Unconditional equalization grants form a component of provincial-municipal transfers in British Columbia, Ontario, Quebec, New Brunswick, Prince Edward Island and Nova Scotia.

The criteria for receipt of equalization and the ensuing formulas differ from province to province reflecting their geographies, municipal remoteness, and the economic viability of certain areas of provinces. As can be seen from the following, equalization grants in Canada serve the purpose of bringing areas of a province to a comparable level of services at a comparable tax rate but different approaches are taken to reach this end. Briefly, equalization grants in the six provinces are as follows:


Quebec, New Brunswick, and Nova Scotia equalization grants are based on a recognition of fiscal need and fiscal capacity, while Newfoundland and Labrador base its grant on population and a remoteness index.

Prince Edward Island's equalization grant is based on non-farm property assessment

British Columbia and Ontario provide equalization grants to small communities, northern and rural municipalities targeting those with challenging fiscal circumstances.

Provincial-Municipal Revenue Sharing

There has been some movement towards provincial-municipal revenue sharing in Canada, but it is not the norm. Municipalities, especially the largest cities, have long called for access to more tax revenue to supplement revenues from property tax and user fees.



Sharing tax room, tax room transfer, or imposition of municipal sales tax or income tax are all examples of diversifying the tax revenue mix in municipalities.

As provinces ask local governments to assume more responsibilities for various social and economic programs traditionally provided by provincial governments, local governments will require revenue over and above the revenue derived from their traditional sources.


Changing Economy and Society

New Brunswick's society and economy are in transition. Covid-19 changed the way we live, work, and spend our money. As examples, many workers who worked in traditional spaces such as office buildings made the transition to home offices and may never return to those spaces. E-Commerce has changed the way we shop thereby requiring stores and malls to adapt, repurpose or close their doors.

The population of New Brunswick has grown rapidly in the past five years. Latest Stats Can statistics report a population of more than 800,000 with an increase of 15,000 new residents in 2021-22 alone. This bodes well for the economy and for the growth of our municipalities. Demand for housing and new business opportunities will increase our overall wealth.

With a growing population and changing economy come many opportunities to grow a prosperous province. However, with growth comes societal challenges that municipalities in New Brunswick and across Canada are experiencing such as homelessness, mental health issues and poverty.

The White Paper acknowledges the important role municipalities play in service delivery and the importance of regional cooperation in realizing the vision of vibrant and sustainable communities. Municipalities are best placed to deliver services as they have the capacity to understand those factors that are unique to their own community. Building on the success of the Regional Service Commissions, the mandates of the Commissions will be expanded to include economic development, community development, regional tourism



promotion, regional transportation, and cost-sharing on recreational infrastructure. This enlarged mandate that moves from a strict provision of services to property to one that includes services to people comes with a price. Property tax and user fees alone will not provide adequate revenue for the new reality. As provinces ask local government to assume more responsibilities for various social and economic programs and services traditionally provided by provincial governments, local governments will require revenue over and above the revenue derived from their traditional sources.

The Panel examined examples of provincial-municipal revenue sharing programs in Canada and potential sources of New Brunswick provincial revenue that could be shared with municipalities for the purposes of equalization, replacement of core funding, and for the expanded mandates of the Regional Service Commissions.

Provincial-Municipal Revenue Sharing


Three provinces, namely British Columbia, Saskatchewan and Quebec have some form of revenue sharing:

British Columbia transfers 100% of net revenues from traffic fines to municipalities as well as 10% of the net casino gambling revenues from community casinos and community gambling centers in their jurisdiction. This revenue transfer is unconditional.

Saskatchewan has a long-term revenue sharing program with its municipalities linked to the performance of the province's economy. It shares 0.75 of one full point of Provincial Sales Tax distributed on a per capita basis to cities, towns, villages, and resort villages and rural municipalities receive their share through an unconditional grant formula.

Quebec shares natural resource royalty revenue with municipalities that have mining or oil and gas production. Since 2021, all Quebec municipalities receive a share of the growth of one percentage point of the Quebec Sales Tax.

In these three provinces then, revenue sharing with municipalities comes primarily from fines and gaming revenues in one province, to a share of provincial sales tax in the others.



The Panel examined the following potential revenue streams in New Brunswick that are available to the Province that could be shared with municipalities, including to support the new mandates of the Regional Service Commissions:

- Cannabis tax
- Enhanced GST/HST rebate for local governments
- Property tax exemption for local government-owned property
- Property Tax Room Transfer
- Provincial Sales Tax

Panel Recommendations


This report set out to provide a context for the Panel's recommendations on provincial-municipal fiscal arrangements. An understanding of the evolution of these arrangements in New Brunswick and learning from the methodologies of fiscal arrangements of other jurisdictions in Canada helped guide its work. Of particular importance were respecting the Principles of Public Finance and the White Paper's guiding principles and criteria used in its strategic restructuring. These informed the Panel's thinking and subsequent recommendations.

Equalization

The focus of the new equalization program is on capacity such that municipalities with less resources are brought to the provincial average. The formula does not identify or dictate which services should be offered by municipalities but rather it is left to locally elected officials to make those decisions. The goal of the formula is to ensure municipalities have the financial resources to allow them to offer comparable services at a comparable level of taxation.

1. Methodology

All municipalities have their own unique characteristics. Equalization, however, necessitates the identification of reasonably similar types of communities to allow for fair comparisons



regarding relative financial need. Groupings of communities based on population are most likely to have similar service and similar capacity to pay for these services. The Finn Report proposed three groupings: less than 10,000, 10,000 to 40,000 and more than 40,000. The present equalization program has eight categories plus another for LSDs for a total of nine categories.

The Panel recognizes that there are differences in New Brunswick's municipalities that require the creation of groupings. We also recognize that regional hubs have special characteristics including those hubs whose population does not exceed 40,000. As such, we have created a group of cities with a population of less than 40,000. Finally, we have created a separate group for rural districts.

The Panel proposes five groupings as follows:

- 1- Cities with a population of more than 40,000
- 2 - Cities with a population of less than 40,000
- 3 - Municipalities with a population of more than 10,000
- 4 - Municipalities with a population of less than 10,000
- 5 - Rural districts

2. Formula

The following principles from the White Paper informed the formulation of a new equalization program:

- 1 – upholding the principles of Equal Opportunity such that all New Brunswickers enjoy comparable minimum standards of services and opportunities at comparable tax rates, regardless of the financial and economic opportunities of their local.
- 2 – increasing the capacity of communities through larger tax bases such that residents enjoy a higher and more sustainable level of service.

The formula proposed by the Panel compares the municipality's tax base per capita with the tax base per capita average for the group. The steps are as followed:

1. Compare average tax base per capita vs average tax base per capita of the municipality's group

2. Measure the dollar value of the gap to measure the equalization that the municipality should receive:

$$\text{Gap} \times \text{population} \times \text{average tax rate of the group} / 100$$
3. If the municipality's own tax rate is below the group average, the municipality's tax rate should be used in the above calculation. This is to represent fairness. Equalization's goal is to increase the capacity of the less wealthy municipalities. To receive equalization based on the group average, the municipality should minimally tax its own taxpayers at the group's average. If its own tax rate is below this average, equalization should be based on the rate it taxes its own citizens.

To calculate the tax base, we recognize that municipalities will be able to tax non-residential properties at a ratio between 1.4 and 1.7 of the residential rate. The formula must include this additional flexibility offered to municipalities. We also assume that tax rates in former LSDs will increase to cover their share of the administrative cost of the new municipalities.

Starting year 2, the calculation of equalizations grants needs to be revised annually to consider the variation in the tax base per capita, as well as tax rate variations.

3. A Transition Period

The proposed equalization program presents important changes to many municipalities. Some will benefit, while others, because of the elimination of the core funding, but also the impact of the mergers associated with the reform, will receive less in transfers. To guarantee a smooth transition, but also to give managers the time to take appropriate actions, the Panel proposes a five-year transition period, as follows:

Year 1: 20% new program, 80% old program

Year 2: 40% new program, 60% old program

Year 3: 60% new program, 40% old program

Year 4: 80% new program, 20% old program

Year 5: 100% new program, 0% old program

Note that the White Paper announced that a second phase of finance reform would be developed in 2024. To quote the White Paper "the intent is to bring forward further changes related to finances before January 1, 2025". In the transition period that we propose, assuming an implementation in 2023, the phase out of the transition period would correspond to the implementation of the changes from phase 2 of finance reform.

4. Elimination of Core Funding

The Panel recommends that the core funding grant be eliminated from the equalization program. The equalization program should be limited to increasing the capacity of municipalities whose asset base per capita is below the average of their group.

The broader questions of municipal financing will be addressed in phase 2 of finance reform, in 2024. Considering that the proposed change will have an important impact on some municipalities, we have proposed a five-year transition period. Furthermore, a temporary partial compensation to municipalities losing as a result from these changes is presented in the section titled "Roads".


5. Regional Service Commission

Additional services offered by the Regional Service Commissions are often services which in the past were offered by the provincial government. The Panel recommends that these additional services be funded 50/50 by the provincial government and the municipalities. The province's share should be linked to the tax base, increasing as the value of the tax base increases, distributed on a per capita basis, which will be through a property tax room transfer from the Province.

6. Roads

With the reform, the provincial government will maintain responsibility for roads in old LSDs. This is a form of subsidy that will be unevenly distributed: some municipalities will be benefiting more than others. Consequently, to recognize this fact, the Panel proposes that in the calculation of the equalization to be paid to municipalities, the value of the province's contribution for roads in old LSDs should be deducted from the equalization amount that the municipality would receive. In other words, the fiscal capacity measure (average tax base per capita) should be modified to consider the fact that the province will be paying for roads outside the municipal budget in the old LSD.

The amounts deducted from the equalization payments should then be redistributed prorated, for the transition period, to all municipalities losing money with the new equalization program compared to the previous one. For example, if the total amount of the reduction in equalization a result of the provincial road financing for LSDs is 16 million dollars and if the total reduction of transfers to municipalities receiving less money is 28



million dollars, each municipality experiencing a reduction in total grants would receive a temporary compensation of 57,1% (16/28) of the reduction. This would only be temporary, before the second phase of fiscal reform announced in the Department's White Paper takes effect.

7. Initial Budget

The Panel recommends that the Equalization Program should have the funds required to bring those municipalities eligible for equalization to the group's average capacity. To estimate the amount required, we must add all individual equalization amounts for which municipalities qualify based on the formula. This calculation will generate the initial budget for the equalization budget.

8. Future Budget Adjustments

After the initial year, the fiscal and financial reality will change. The equalization budget should be modified to consider these changes. One option would be to increase the budget based on inflation, measured using the consumer price index (CPI). The Panel does not favor this approach as this is linked to expenditures while the principle we propose in the equalization formula is one of capacity. Therefore, the Panel recommends that the program's budget be increased annually proportionally to the average increase in the province's tax base.

9. Three-Year Averages

Municipalities will benefit from certainty and stability in the program. This will improve municipalities' capacity to do more long-term planning. Consequently, the Panel recommends that in the future, three-year averages (the given year and the two previous years) be used to calculate equalization. Considering that the Panel is proposing a transition period for the program, the implementation of this three-year average component would be rolled out during the first three years of the new program. The first year, the data for this given year would be used. For the second year, it would be the average of the first year and the second year. The third year, and every year thereafter, the data for the given year and the two previous years would be used. The weight of all years would be equal (1/3 per year when using three years).

10. Evaluation of Equalization Program

In five years, after the completion of phase 2 of finance reform, we recommend that the equalization program should be the subject of a new analysis. The impact of municipal reform will be clearer. At this time, it is still too early to know how the new municipalities will ultimately operate (for example, what new services will be offered in old LSDs). Phase 2 of finance reform will possibly require revisiting the equalization program. Finally, any weaknesses of the proposed program could be analyzed, with the benefit of experience, and improvement proposed.

11. Recommendation - Revenue Sharing

The Panel examined expected tax revenues from various sources to assess the appropriateness as mechanisms to diversify the revenue base for local governments. The Panel recommends that these varied potential revenue sources be further explored in Phase 2 – Finances.

12. Property Assessment Process

The proposed equalization program is highly dependent on the assessment process to estimate property values. To not only increase the confidence in the assessment process, but also guarantee that the program's objectives are truly met, the Panel recommends an analysis of the province's property assessment process. One of the objectives of this assessment would be to identify any regional differences in assessment, where the difference between the assessed value and the market value would be different across the province. If this is the case, recommendations would be proposed to improve the situation.

ADDITIONAL ELEMENTS

Police Services

In the past, a component for police services was included in equalization. One reason for this was that the financing from LSDs was capped. This is no longer the case. Furthermore, the proposed equalization formula is based on capacity, allowing local leaders to make decisions with respect to what services are going to be offered, but also how they are going to be offered. The Panel considers that the equalization program should not be modified to consider those choices. It should only allow local leaders to be able to make decisions.

Potential Claw back

Is there a maximum level of equalization that a municipality should receive? If we are to set a maximum level, what should that level be? These are difficult questions to answer. In the last provincial budget (2022-2023 Budget Speech), we can see that the government of New Brunswick receives 21.9% of its revenue from the federal equalization program. This could be a threshold. The threshold could also be higher, 25% for example.

If a claw back is applied, should it be a hard number or a gradual reduction? One possibility would be to start a claw back at 25% of revenues from equalization. Over that amount, the municipality could only keep the additional equalization if its tax rate is above its group average – which is a concrete demonstration of need – and that this additional equalization would be in proportion to the relative difference between the municipality's tax rate and the average tax rate of the group. For example, if the municipality's tax rate is 30% above the groups' average, it would keep 30% of the equalization of the 25% threshold.

FINANCE COMMITTEE REPORT

Report Date	October 26, 2022
Meeting Date	November 3, 2022

Chairman Sullivan and Members of the Finance Committee

SUBJECT: 2023 Proposed General Fund Operating Budget

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of the Finance Committee.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Craig Lavigne</i>	<i>Kevin Fudge</i>	<i>John Collin</i>

RECOMMENDATION

It is recommended that the Finance Committee reflect upon the proposed 2023 General Fund Operating Budget, make all inquiries to staff and receive and file the report.

EXECUTIVE SUMMARY

The proposed 2023 General Operating Budget will be presented to the Finance Committee on November 3rd, 2022. The budget has been produced based on Council’s strategic priorities, 10-year Strategic Plan, as well as on the principles, policies and targets contained in the City’s Long Term Financial Plan.

The proposed 2023 General Operating Budget totals \$176,439,982, up 7.1% year over year. The budget includes a property tax rate reduction of 9.0 cents, from \$1.71 to \$1.62 per \$100 of assessed value. If approved by Council, the 2023 property tax rate would be reduced by a total of 16.5 cents or 9.24% reduction over the last two years. The budget also incorporates moving the tax differential for Commercial and Heavy Industry from 1.5 to 1.7 which aligns the City’s strategy on tax reform.

PREVIOUS RESOLUTION

N/A

STRATEGIC ALIGNMENT

The proposed 2023 draft General Fund Operating Budget is aligned with Councils' priorities, the 10-year Strategic Plan, the City's financial policies and plans, and strategic operational plans.

REPORT

The proposed 2023 General Operating Budget will be presented to the Finance Committee on November 3rd, 2022. The budget has been produced based on Council's strategic priorities, 10-year Strategic Plan as well as on the principles, policies and targets contained in the City's Long Term Financial Plan.

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REVENUE

Property tax assessment has increased based on a growth rate of 8.76% due a strong real estate market. The growth rate can be split between market adjustments at 7.41% and new construction of 1.35%. The proposed reduction of the tax rate to 1.62 and increasing the property tax differential on Commercial and Heavy Industry from 1.5 to 1.7 results in an increase of annual property tax revenue of \$10,626,544 or 8.08% over previous year.

The annual equalization and unconditional grant saw a reduction of **\$1,325,687** or **-7.96%**. This reduction will be partially offset by a onetime Regional Service Grant of \$546,630 as the new Regional Services Commission model enters its first year of operation in 2023.

Revenue also includes \$1,012,000 from Saint John Energy in relation to the benefits derived from the Burchill Wind Farm project, along with \$1,753,145 surplus from 2021.

Own source revenues are budgeted at \$15,637,042 which is an increase of \$1,408,225 or 9.9% over last yar. This includes a significant increase in accommodation levies over previous year at \$1,193,000 as the hotel industry returns to pre-pandemic levels and interest revenue budgeted to be more due to the increase in interest rates.

EXPENDITURES

Overall expenditures are up year over year by \$11,718,124 or 7.1%. Wages and benefits are within wage escalation with an increase of \$4,692,586 or 5.3% over previous year. Goods and Services are increasing by \$2,553,778 or 6.18% and the increase is due to several factors such as inflationary increases in fuel, asphalt, repairs and maintenance. There is an increase in assessment charge due to an overall increase in the tax assessment and there is funding for professional and contracting services for various initiatives related to strategic plans.

The City's grants to Agencies, Boards and Commissions will see an increase of \$1,461,938 or 11.78% over previous year. This includes an increase in the Transit subsidy as this service continues to reinvent itself, along with additional costing for the new Regional Service Commission. The increased cost to Envision SJ relates to the increase in accommodation levies expected in 2023 which essentially flows through to Envision.

Fiscal and other charges have an increase of \$3,009,822 or 13.36%. Capital from operating increased by \$1,350,000 and aligns with the Long-Term Financial Plan targets. There is an additional increase to the Reserves of \$2,710,000 of which a large portion will go to the establishment of funding for future recreation facilities.

Council Priorities/Strategic Plan/Service Delivery

The 2023 budget addresses multiple elements of the 10-year strategic plan, Council Priorities, and addresses service delivery. The following list are highlights from the various service areas which have one time funding and recurring expenditures.

- Reinstatement of cutting grass – additional resources to mow various medians and other areas throughout City
- Additional resources to maintain the new public space at Fundy Quay
- Professional development funds for Mayor and Council
- Budget for Professional Services
 - Legal work for elements of Strategic Plan
 - 10 Year HR Strategy and Employee Performance System
 - North End Neighborhood Plan
 - City Market Strategic Plan
 - Recreation Subsidization Review
 - Parking Study
 - Development of Community Energy Action Plan (net zero pathway to 2050)
- Additional staffing for Community Services included (2FTE) to support recreation, community development and social inclusion
- Additional temporary staffing to support enhanced recreational programming (Playground supervisors, special events and summer programming staffing)
- Funding for 5 new Recreation programs (including cost of 2 all-terrain wheelchairs and reinstatement of ~~PS~~ support to Parks)

-
- Significant contribution towards reserves to fund future Recreation facility
 - Funding to support Civic Commemoration and Abilities
 - Affordable Housing – Contact staffing and resources to support implementation of the Affordable Housing Action Plan
 - Continued investment in IT Security and infrastructure, Public Safety Records Management Systems
 - Reinstatement of Passport to Parks
 - Additional temporary staffing to support City Market Strategic Plan and Night Market
 - Additional full time resource supporting Traffic Management and Engineering
 - Employee recognition program
 - New Internal Audit/Risk Management Position
 - Additional funds for Transit Services transformation
 - Funding for Urban Stormwater outfall inspections

The investments being made maintain existing service levels but also support the priorities of council, follow various plans, and address social issues and meeting the targets and principles of the long-term financial plan.

Aligning with Long Term Financial Plan

The budget follows 4 key financial values set out in the long-term financial plan:

1. Don't spend more money than you make – 2023 budget is a structurally balanced budget
2. Borrow Wisely – the budget includes principal and interest charges of \$15.7M The city continues to reduce debt and increase pay as you go and is on track with its Debt Management Plan.
3. Save your money for a rainy day – The budget includes approximately \$3.9M in capital reserves to address several Council priorities, avoiding new debt and continuing a culture of “save first” versus “spend first”.
4. Take control of your expenses before they take control of you – the 2023 operating budget follows the City's wage escalation policy.

The City continues to perform as it balances the priorities of Council with the goals and targets of the long-term financial plan. Below are just some of some of targets being met or exceeded.

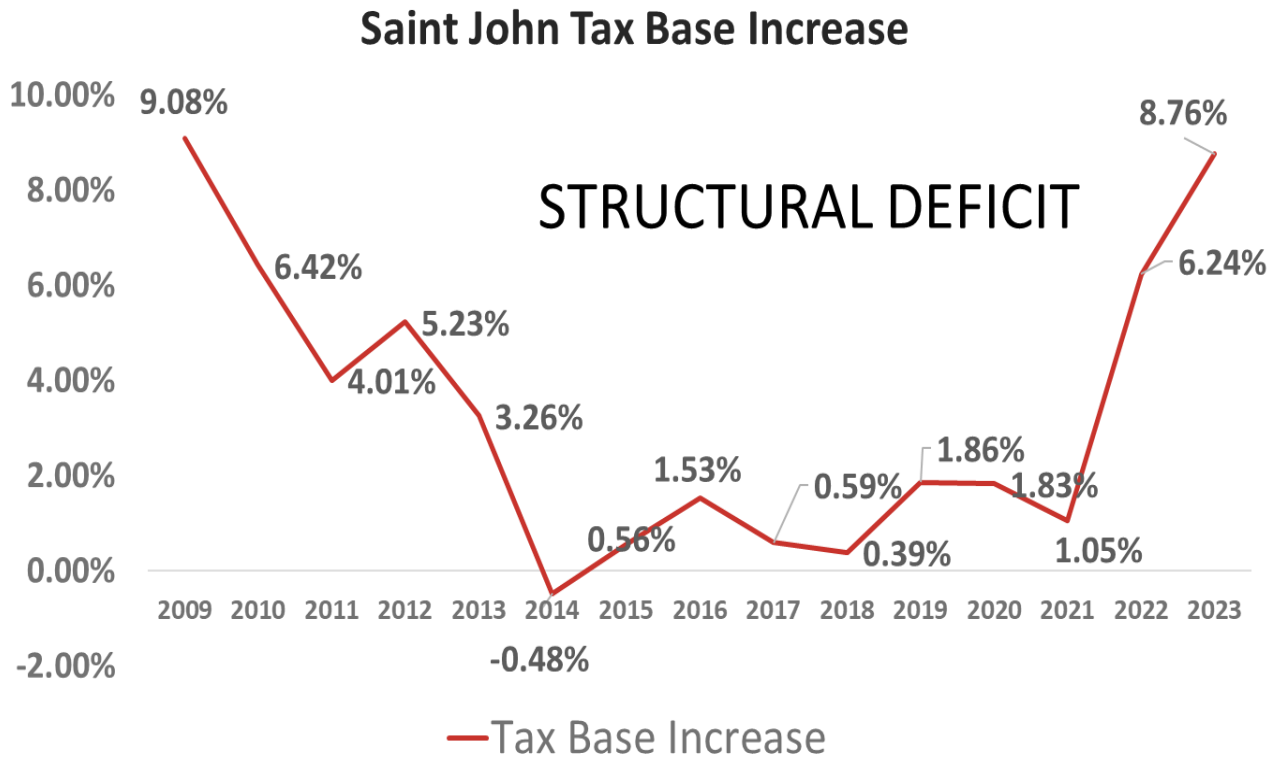
Measure	Direction	LTFP Base	2023 Budget	2030 Target
Debt per Capita	Lower is better	\$1,427	\$1,233	\$1,175
Debt Service Ratio	Lower is better	10.5%	8.9%	9.0%
Total Debt as a % of Operating Budget	Lower is better	60%	49%	50%
Tax Rate	Lower is better	\$1.785	\$1.62	\$1.57
Total People Cost (% of total revenue)	Lower is better	57%	52%	N/A

Managing risk in the 2023 Operating Budget

The City has experienced high growth rates in the past two years. It is important to follow financial best practices in good times and in bad. When looking back at the years 2009-2012 the City received tax base growth from 5.23%-9.08%; yet without having a long-term financial plan (goals, targets, performance measures) the City fell into a structural deficit years later.

The proposed 2023 budget follows a balanced risk-based approach which reduces the tax rate to maintain the City’s competitive advantage while being mindful of inflationary pressures in the community. The budget shows responsibility by not increasing the recurring cost of government based on multiyear spikes in assessment largely associated with a market adjustment and premised on new construction.

The challenges with tax burden faced by citizens, along with increases in other costs outside inflationary pressures was not lost when preparing this budget which is a large reason for the decrease in property tax rate.



CONCLUSION

In conclusion, the proposed 2023 General Fund Operating Budget continues to advance and surpass the City’s long term strategic financial objectives. This budget advances the City’s strategic financial objectives to increase flexibility, reduce vulnerability, and is sustainable.

The budget also balances the financial objectives of the long-term plan while balancing the priorities of Council along with the recently adopted 10 year strategic plan.

SERVICE AND FINANCIAL OUTCOMES

The proposed 2023 General Operating Budget aligns with Councils 5 priority areas of Move, Belong, Grow, Green and Perform.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Input has been received from all Service Areas.

ATTACHMENTS

Exhibit 1 – 2023 Draft General Fund Operating Budget

**The City of Saint John
2023 General Fund Operating Budget**



	2023 Budget \$	2022 Budget \$
Revenues		
Property Taxes	142,105,410	131,478,866
PILT Adjustment	64,323	-
Equalization & Unconditional Grant	15,321,432	16,647,119
Regional Services Grant	546,630	-
Surplus 2nd Year Previous Year	1,753,145	-
Transfer from Operating Reserves	-	2,367,056
Growth & Community Services	4,327,812	2,749,714
Public Works & Transportation Services	5,599,798	5,656,780
Public Safety Services	1,951,432	2,105,169
Utilities & Infrastructure Services	317,000	332,039
Strategic Services	3,156,000	3,100,115
Corporate Services	285,000	285,000
Saint John Energy Benefits	1,012,000	-
Total Revenues	176,439,982	164,721,858
Expenditures		
Growth & Community Services	17,733,221	16,291,320
Public Works & Transportation Services	41,715,344	39,445,202
Public Safety Services	59,633,669	56,204,643
Utilities & Infrastructure Services	6,994,893	6,623,401
Strategic Services	7,917,074	7,286,166
Corporate Services	7,443,379	7,092,813
Other Charges	35,002,402	31,778,313
Total Expenditures	176,439,982	164,721,858
Surplus (Deficit)	-	-

**City of Saint John by Service
2023 General Fund Operating Budget**



	2023 Budget \$	2022 Budget \$
Growth & Community Services		
Salaries	5,335,007	5,099,241
Goods & Services	12,398,214	11,192,079
TOTAL	17,733,221	16,291,320
Public Works & Transportation Services		
Salaries	16,645,616	15,514,645
Goods & Services	25,069,728	23,930,558
TOTAL	41,715,344	39,445,203
Public Safety Services		
Salaries	48,826,474	46,230,825
Goods & Services	10,807,194	9,973,818
TOTAL	59,633,668	56,204,643
Utilities & Infrastructure Services		
Salaries	3,575,653	3,392,655
Goods & Services	3,419,240	3,230,746
TOTAL	6,994,893	6,623,401
Strategic Services		
Salaries	4,003,562	3,831,341
Goods & Services	3,913,512	3,454,825
TOTAL	7,917,074	7,286,166
Corporate Services		
Salaries	5,266,536	5,105,822
Goods & Services	2,176,843	1,986,991
TOTAL	7,443,379	7,092,813
Other Charges		
Goods & Services	35,002,402	31,778,313
	35,002,402	31,778,313
TOTAL EXPENDITURES	176,439,982	164,721,859

**The City of Saint John
2023 General Fund Operating Budget**



	2023 Budget \$	2022 Budget \$
Revenues		
Property Taxes	142,105,410	131,478,866
PILT Adjustment	64,323	-
Equalization & Unconditional Grant	15,321,432	16,647,119
Regional Services Grant	546,630	-
Surplus 2nd Year Previous Year	1,753,145	-
Transfer from Operating Reserves	-	2,367,056
Growth & Community Services	4,327,812	2,749,714
Public Works & Transportation Services	5,599,798	5,656,780
Public Safety Services	1,951,432	2,105,169
Utilities & Infrastructure Services	317,000	332,039
Strategic Services	3,156,000	3,100,115
Corporate Services	285,000	285,000
Saint John Energy Benefits	1,012,000	-
Total Revenues	176,439,982	164,721,858
Expenditures		
Growth & Community Services		
Growth & Community Planning Services	1,852,877	1,695,676
Development Services	102,884	102,884
Development Engineering	350,328	346,667
Community Development	577,820	388,623
Animal Control	109,250	91,244
Dangerous and Vacant Building Program	374,428	547,385
Minimum Property Standards	375,506	310,229
Heritage Conservation Service	203,654	195,842
Cultural Affairs	129,827	126,289
Other By-Laws	356,103	429,822
Permitting & Inspection Services	1,181,614	1,027,434
Regional Economic Development Agency	3,093,000	2,175,000
Market Square	2,250,000	2,250,000
Saint John Trade & Convention Centre	390,186	262,615
Imperial Theatre	295,714	330,444
Saint John Aquatic Centre	521,281	451,198
Saint John Arts Centre	178,408	191,673
TD Station	478,246	590,777
Library	487,597	473,001
City Market	1,137,775	1,075,756
Arts & Culture Board	70,000	70,000

The City of Saint John
2023 General Fund Operating Budget



	2023	2022
	Budget	Budget
	\$	\$
Growth & Community Services (Continued)		
Public Art Maintenance & Repair	16,000	16,000
Remembrance Day	1,500	1,500
New Year/Canada Day Celebrations	40,000	15,000
PRO Kids	109,693	235,526
Succeed & Stay	92,785	171,758
Local Immigration Partnership	86,424	124,153
Carleton Community Center	190,700	182,700
Loch Lomond Community Center	45,000	45,000
North End Community Center	174,876	166,876
Recreation Programming	674,269	564,327
Neighbourhood Development	170,000	152,000
YMCA - Contracted Services	157,560	149,560
Boys and Girls Club - Contracted Services	145,887	137,887
Unspecified Grants	184,000	184,000
Affordable Housing Strategy	193,754	300,000
Lifeguards	195,500	181,000
Play SJ	45,000	15,000
Lord Beaverbrook Rink	167,392	166,474
Building Incentive Reserve	350,000	350,000
Regional Services Commission	176,383	-
Total Growth & Community Development Services	17,733,221	16,291,320
Public Safety Services		
Fire Rescue and Suppression Service	23,591,356	22,749,472
Fire Training	1,319	-
Technical Rescue Response	46,925	46,065
Hazardous Materials	69,984	67,188
Fire Prevention	908,059	850,077
Fire Investigation	66,123	58,578
Emergency Management Services	360,216	341,536
Water Supply and Hydrants	2,500,000	2,500,001
Public Safety Communications Centre	2,894,857	2,789,423
Street Lighting	1,060,000	958,800
Police Administration	1,987,488	1,835,003
Criminal Investigations	4,623,244	4,398,533
Police Commission	116,350	112,050
Automotive Equipment	1,106,149	1,023,518
Support Services	1,812,844	2,224,375
Detention	179,975	176,575
Police Operations	17,342,680	15,136,000
Stations and Buildings	966,100	937,450
Total Public Safety Services	59,633,669	56,204,643

The City of Saint John
2023 General Fund Operating Budget



	2023	2022
	Budget	Budget
	\$	\$
Public Works & Transportation Services		
Snow Control Streets	5,601,737	5,177,279
Street Cleaning	1,605,543	1,520,026
Utility Cuts	919,782	710,263
Street Services - Surface Maintenance	7,448,639	7,722,859
Snow Control Sidewalk	1,034,591	921,437
Sidewalk Maintenance	712,014	459,829
Pedestrian & Traffic Management Service	2,343,221	1,982,463
Solid Waste Management	3,830,567	3,674,381
Regional Services Commission	-	28,657
Landscape - Parks & Open Spaces	2,095,731	1,883,049
Rockwood Park	405,699	376,336
Urban Forestry	336,497	282,576
Saint John Horticultural Association	50,000	40,000
Arena Operation & Maintenance	1,375,297	1,319,299
Sportsfield Operation & Maintenance	1,228,942	1,159,089
Other Facilities Operation & Maintenance	548,513	396,901
Transit Debt	1,746,105	1,824,485
Transit Subsidy	5,630,640	5,273,690
Fleet Stockroom	354,448	282,982
Stormwater Rural	1,844,465	1,958,602
Parking Administration	942,723	760,182
Peel Plaza Parking Garage	389,616	297,216
Market Square Parking Garage	115,881	132,914
Off Street Parking	1,154,693	1,260,687
Total Public Works & Transportation Services	41,715,344	39,445,202

**The City of Saint John
2023 General Fund Operating Budget**



Utilities & Infrastructure Services		
Engineering	1,252,328	1,191,095
Carpenter Shop	371,482	325,622
Facilities Management	1,579,996	1,545,173
City Hall Building	1,014,205	1,014,587
GIS	413,258	426,585
Stockroom	246,122	248,134
Stormwater Urban	2,117,502	1,872,205
Total Utilities & Infrastructure Services	6,994,893	6,623,401
Strategic Services		
Finance	1,250,757	1,172,280
Assessment	1,701,756	1,468,310
Supply Chain Management	449,075	428,124
Information Technology	3,511,071	3,332,935
Corporate Planning	316,055	312,720
Insurance	138,360	121,797
Liability Insurance	550,000	450,000
Total Strategic Services	7,917,074	7,286,166
Corporate Services		
City Manager's Office	779,271	1,019,922
Mayor's Office	225,837	219,350
Common Council	602,503	524,902
Common Clerk	642,779	607,207
Human Resources	1,942,089	1,853,166
Legal Department	1,136,916	1,030,331
Real Estate	177,086	176,940
Saint John Industrial Parks	170,763	71,371
Barge Terminal	25,000	15,000
Customer Service	999,115	896,456
Corporate Communications	516,634	524,001
External Relations	225,386	154,167
Total Corporate Services	7,443,379	7,092,813
Other Charges		
Fiscal Charges	15,685,605	15,741,124
Deficit 2nd Previous Year	-	991,456
Landfill Closure	300,000	300,000
Special Pension Contributions	9,460,000	9,245,733
Transfer to Capital Reserves	3,771,797	1,200,000
Transfer to Operating Reserves	135,000	-
Other Charges	-	-
Capital from Operating	5,650,000	4,300,000
Total Other Charges	35,002,402	31,778,313
Total Expenditures	176,439,982	164,721,858
Surplus (Deficit)	-	-

The City of Saint John
2023 Operating Fund Budget by Object



	2023	2022
	Proposed Budget	Approved Budget
	\$	\$
Revenues		
Property Taxes	142,105,410	131,478,866
PILT Adjustment	64,323	-
Equalization & Unconditional Grant	15,321,432	16,647,119
Regional Services Grant	546,630	-
Saint John Energy Benefits	1,012,000	-
Surplus 2nd Previous Year	1,753,145	-
Permits & Licenses	1,124,754	1,090,804
Rentals & Fees	1,582,979	1,656,139
Inter-fund Charges	1,900,000	1,800,000
Market Square Parking	1,350,000	1,154,000
Meter Violations & Summonses	290,000	225,000
Parking Meters	783,000	938,000
Traffic By-Law	362,300	281,000
Fines	25,000	25,000
Secondments	-	200,000
Extra Duties	100,000	100,000
Training	70,000	64,817
Contributions from Others	889,244	856,910
Partnerships	195,000	191,933
Emergency Dispatch	1,240,432	1,213,800
Utility Cuts	860,713	816,000
Interest Income	750,000	500,000
Internal Services	252,000	282,000
Insurance Proceeds	20,000	-
Advertising	-	15,450
Accommodation Levy	1,193,000	500,000
Other Miscellaneous Revenues	1,034,625	882,569
Saint John Industrial Parks	260,000	260,000
Barge Terminal	25,000	25,000
Peel Plaza Parking Garage	301,500	286,000
Off Street Parking	1,027,495	864,395
Transfer from Operating Reserve	-	2,367,056
Total Revenues	176,439,982	164,721,858
Expenditures		
Salaries & Benefits		
Salaries	63,703,149	60,539,685
Overtime/Other Personnel Costs	2,844,773	2,466,180
Fringe Benefits	17,104,926	16,168,664
Pension	9,460,000	9,245,733
Total Wages and Benefits	93,112,848	88,420,262

The City of Saint John
2023 Operating Fund Budget by Object



	2023	2022
	Draft Budget	Approved Budget
	\$	\$
Goods & Services		
General Services	522,594	592,372
Insurance	1,225,768	1,049,906
Professional Services	2,151,320	1,963,765
Other Purchased Services	2,393,527	2,266,152
Repairs & Maintenance	1,935,225	1,616,539
Other Purchased Goods	1,295,930	1,234,636
Roads	4,199,850	4,269,115
Tipping Fees	1,113,050	1,305,000
Property Taxes	1,391,324	1,270,477
Assessment Charge	1,701,756	1,468,310
Asset Purchases	1,017,048	799,466
Contracted Services	1,657,951	1,286,065
Postage	97,640	99,365
Inter-Fund Charges	3,553,508	3,523,001
Telephone	679,989	703,437
Radio	401,080	385,020
Building Incentive Reserve	350,000	350,000
Fuel	3,332,974	2,939,499
Advertising	174,575	148,075
Travel, Conferences & Training	856,543	773,174
Commissionaires	489,018	385,000
Engineering	321,000	161,000
Cleaners & Janitors	243,820	240,620
Solid Waste Collection	127,700	117,500
Licenses & Software	497,210	455,147
Rentals - Vehicles & Equipment	5,444,620	5,432,098
Asphalt	1,257,622	889,139
Parts	1,412,850	1,377,893
Apparel	214,692	204,488
Fuel Oil & Gas Oil	306,685	305,818
Salt & Sand	1,023,073	969,673
Electricity	685,863	728,320
Office Supplies	151,175	168,920
Operating & Safety Supplies	506,942	494,782
Water	167,950	165,470
Meals	165,805	154,023

The City of Saint John
2023 Operating Fund Budget by Object



	2023	2022
	Draft Budget	Approved Budget
	\$	\$
Lumber, Paint, Chemicals & Cement	451,644	389,534
Tools & Hardware	102,362	104,182
Memberships	175,829	158,294
Affordable Housing Strategy	-	300,000
Receptions	115,768	114,227
	43,913,280	41,359,502
Grants - Agencies, Boards & Commissions		
Grants	706,500	641,500
Transit Commission	7,376,745	7,098,175
Lord Beaverbrook Rink	167,392	166,474
Saint John Free Public Library	487,597	473,001
Regional Services Commission	176,383	28,657
Regional Facilities Commission	1,863,835	1,826,707
Regional Economic Development Agency	3,093,000	2,175,000
	13,871,452	12,409,514
Fiscal Charges		
Interest	2,514,628	2,689,728
Principal Repayment	13,170,977	13,051,396
	15,685,605	15,741,124
Other Charges		
Howes Lake Landfill	300,000	300,000
Capital from Operating	5,650,000	4,300,000
Transfer to Operating Reserves	135,000	-
Transfer to Capital Reserves	3,771,797	1,200,000
Deficit 2nd Previous Year	-	991,456
	9,856,797	6,791,456
Total Expenditures	176,439,982	164,721,858
General Fund Surplus (Deficit)	-	-



2023 Draft General Fund Operating Budget

Finance Committee – November 3, 2022



SAINT JOHN

2023 Draft General Fund Budget

2023 Draft General Fund Budget Timelines

Finance Committee – November 3rd receive and file

Finance Committee – November 21st recommend to Council

Common Council – November 28th for Receive and File

Common Council – December 12th for Approval

2023 General Operating Budget Highlights

1. Proposed 2023 General Operating Budget \$176,439,982
2. Proposed 9.0 cent reduction in tax rate – from \$1.71 to \$1.62 per \$100
 1. Reduction of 16.5 cents in two years – 9.24% reduction
 2. Sufficient revenue to meet Long Term Financial Plan
 3. Tax Base growth exceeds stretch goal of 3% in Financial Plan
3. Equalization Grant Reduced by **\$1,325,687** from previous year (reduction partially offset by one-time Regional Services Commission Grant of \$546,630)
4. Budget Focuses on Council Priorities and 10 Year Strategic Plan
5. Budget proposed to incorporate tax reforms passed by Province
 - 1.7 tax differential applied to Commercial and Heavy Industrial Tax Class
6. Manages Risk & Compliant with Long Term Financial Plan
7. Saint John Energy Benefits – applied to reduce tax rate
8. New Regional Service Commission incorporated

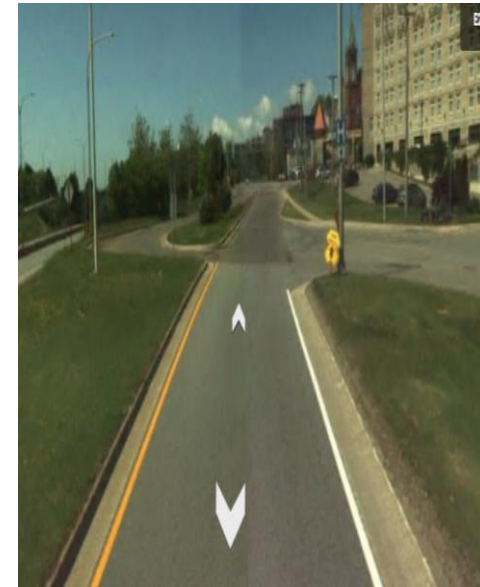
2023 Draft General Fund Budget by Service

	2023 Budget \$	2022 Budget \$
Revenues		
Property Taxes	142,105,410	131,478,866
PILT Adjustment	64,323	-
Equalization & Unconditional Grant	15,321,432	16,647,119
Own Source Revenue	15,637,042	14,228,817
Regional Services Grant	546,630	-
Surplus 2nd Year Previous Year	1,753,145	-
Transfer from Operating Reserves	-	2,367,056
Saint John Energy Benefits	1,012,000	-
Total Revenues	176,439,982	164,721,858
Expenditures		
Growth & Community Services	17,733,221	16,291,320
Public Works & Transportation Services	41,715,344	39,445,202
Public Safety Services	59,633,669	56,204,643
Utilities & Infrastructure Services	6,994,893	6,623,401
Strategic Services	7,917,074	7,286,166
Corporate Services	7,443,379	7,092,813
Other Charges	35,002,402	31,778,313
Total Expenditures	176,439,982	164,721,858
Surplus (Deficit)	00	-

Council Priorities/Strategic Plan/Service Delivery

Budget addresses multiple elements of strategic plan, alignment with policies and addresses service delivery concerns

- Reinstatement of cutting grass – additional funding to mow various medians and other areas throughout City
- Additional funding to maintain for the new public space at Fundy Quay
- Additional funding for Transit Service transformation
- Budget for Professional Services
 - Legal work for elements of Strategic Plan
 - 10 Year HR Strategy and Employee Performance System
 - North End Neighborhood Plan
 - City Market Strategic Plan
 - Recreation Subsidization Review
 - Parking Study
 - Development of Community Energy Action Plan (net zero pathway to 2050)



Council Priorities/Strategic Plan/Service Delivery

Budget addresses multiple elements of strategic plan, alignment with Policy and addresses service delivery concerns (continued)

- Additional staffing for Community Services included (2FTE) to support recreation, community development and social inclusion
- Additional temporary staffing to support enhanced recreational programming (Playground supervisors, special events summer support staff)
- Funding for 5 new Recreation programs (including cost of 2 all terrain wheelchairs and reinstatement of Passport to Parks)
- Significant contribution towards reserves to fund future Recreation facility
- Funding to support Civic Commemoration & Abilities Advisory Committees
- Affordable Housing – Contract staffing and resources to support implementation of the Affordable Housing Action Plan

Council Priorities/Strategic Plan/Service Delivery

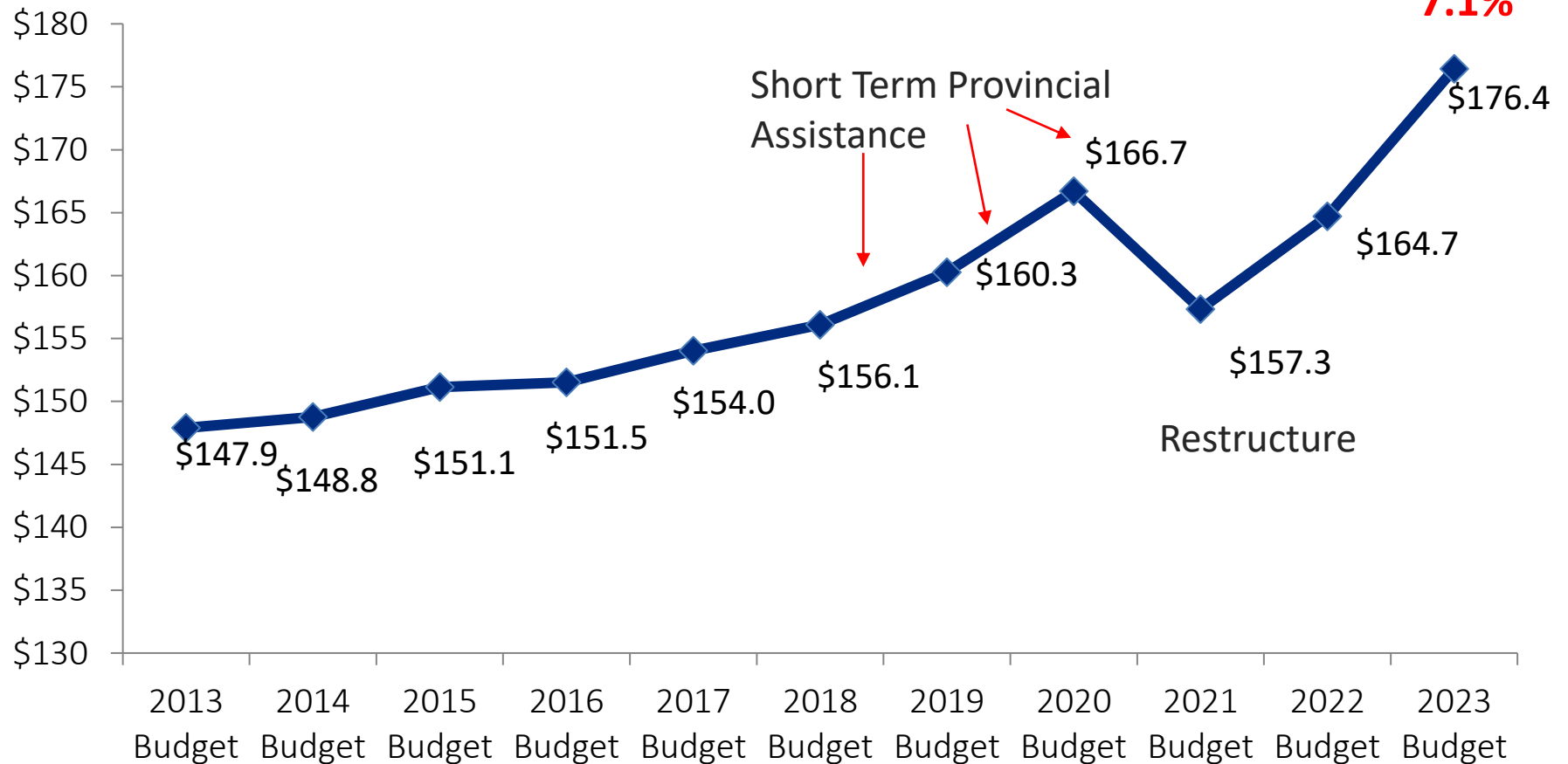
Budget addresses multiple elements of strategic plan, alignment with Policy and addresses service delivery concerns (continued)

- Additional temporary staffing to support City Market Strategic Plan and Night Market
- Additional full-time resource to increase ability to support traffic enhancements, active transportation, as well as design and construction management of capital projects
- Continued investment in IT Security and infrastructure , Public Safety Records Management Systems
- Employee recognition program
- New Internal Audit/Risk Management Position
- Professional development funds for Mayor and Council
- Funding for Urban Stormwater outfall inspections

General Fund Operating Budget Overview

General Fund Operating Budgets 2013-2023

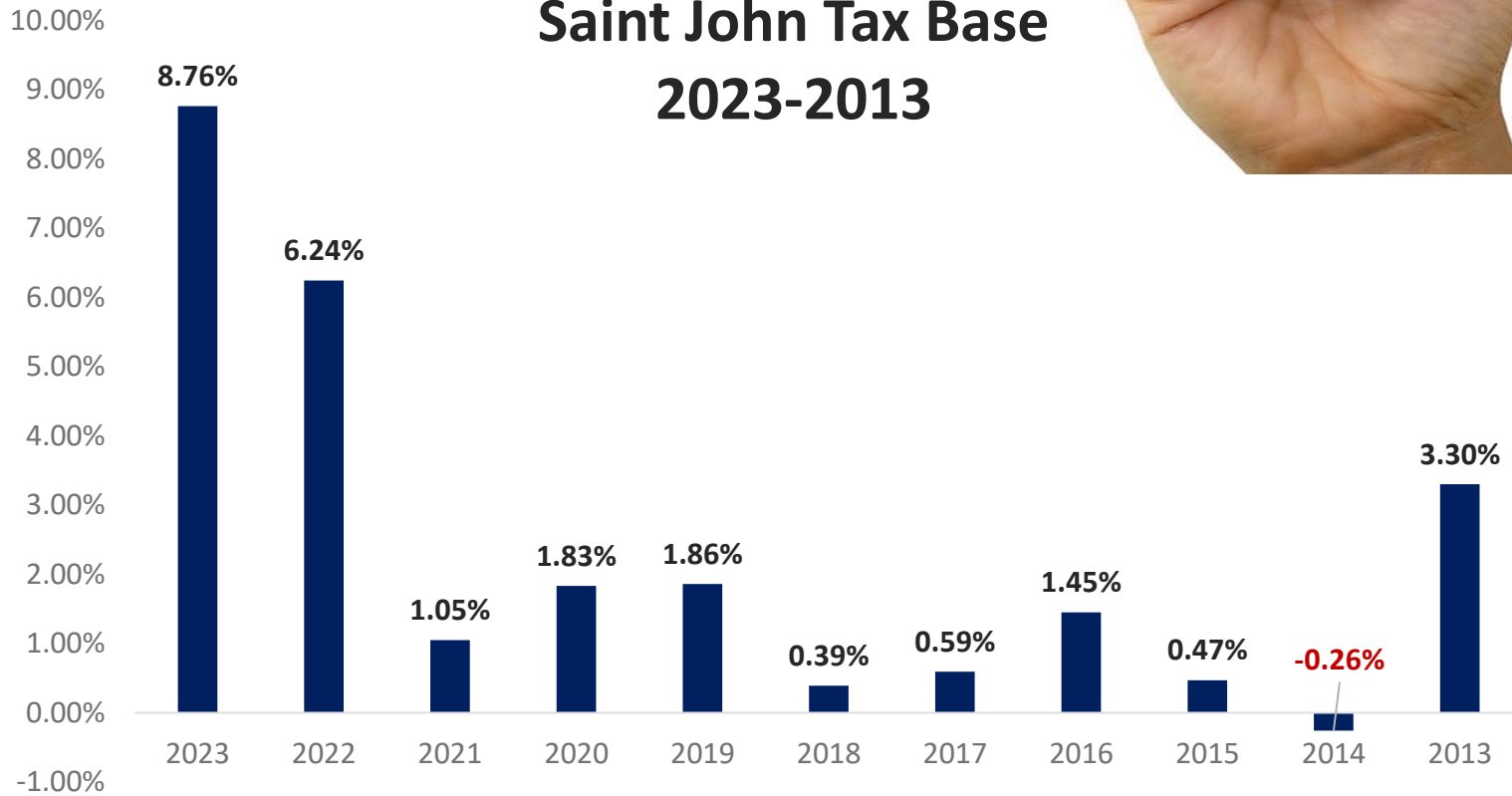
\$ in Millions



ASSESSMENT



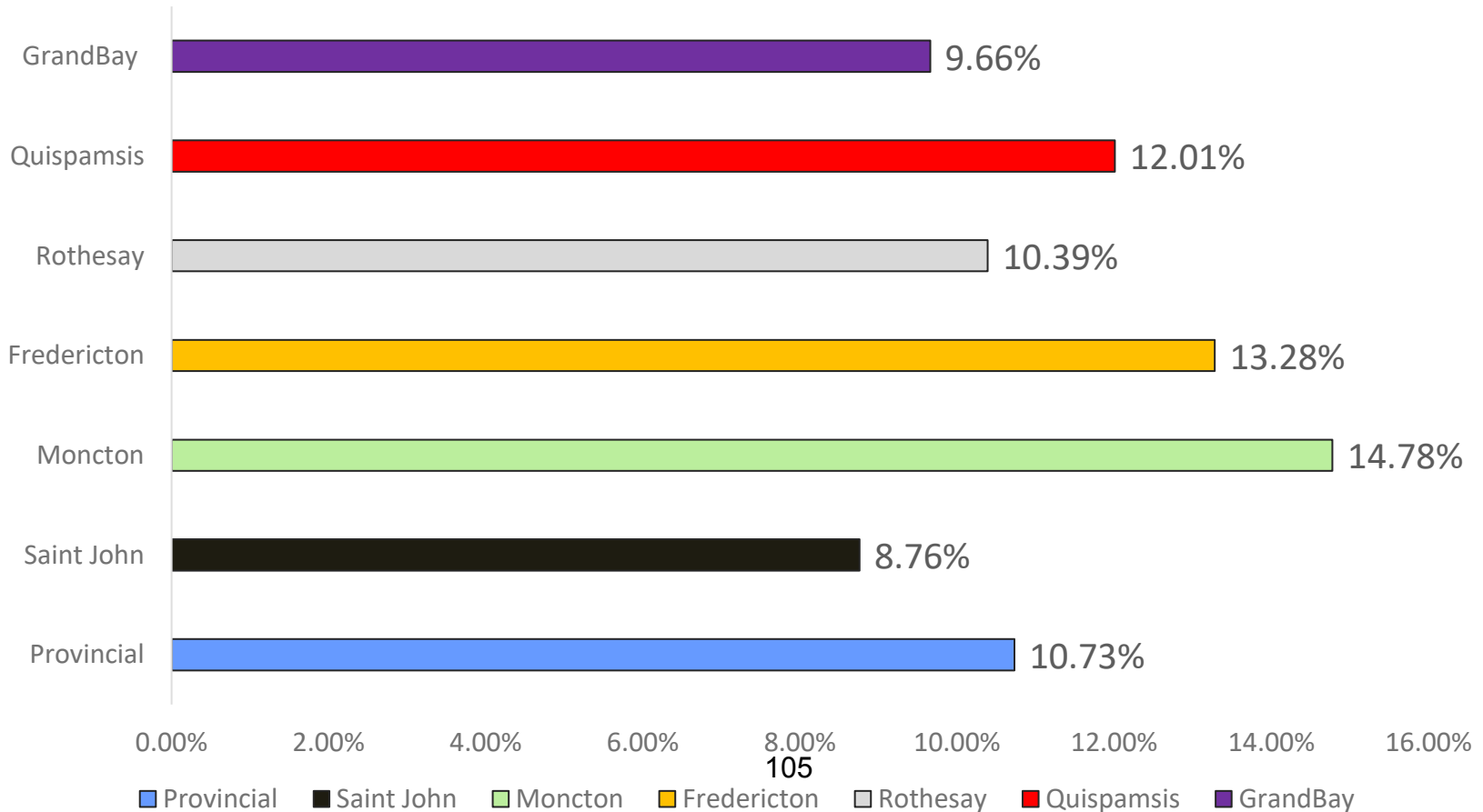
**Saint John Tax Base
2023-2013**



ASSESSMENT



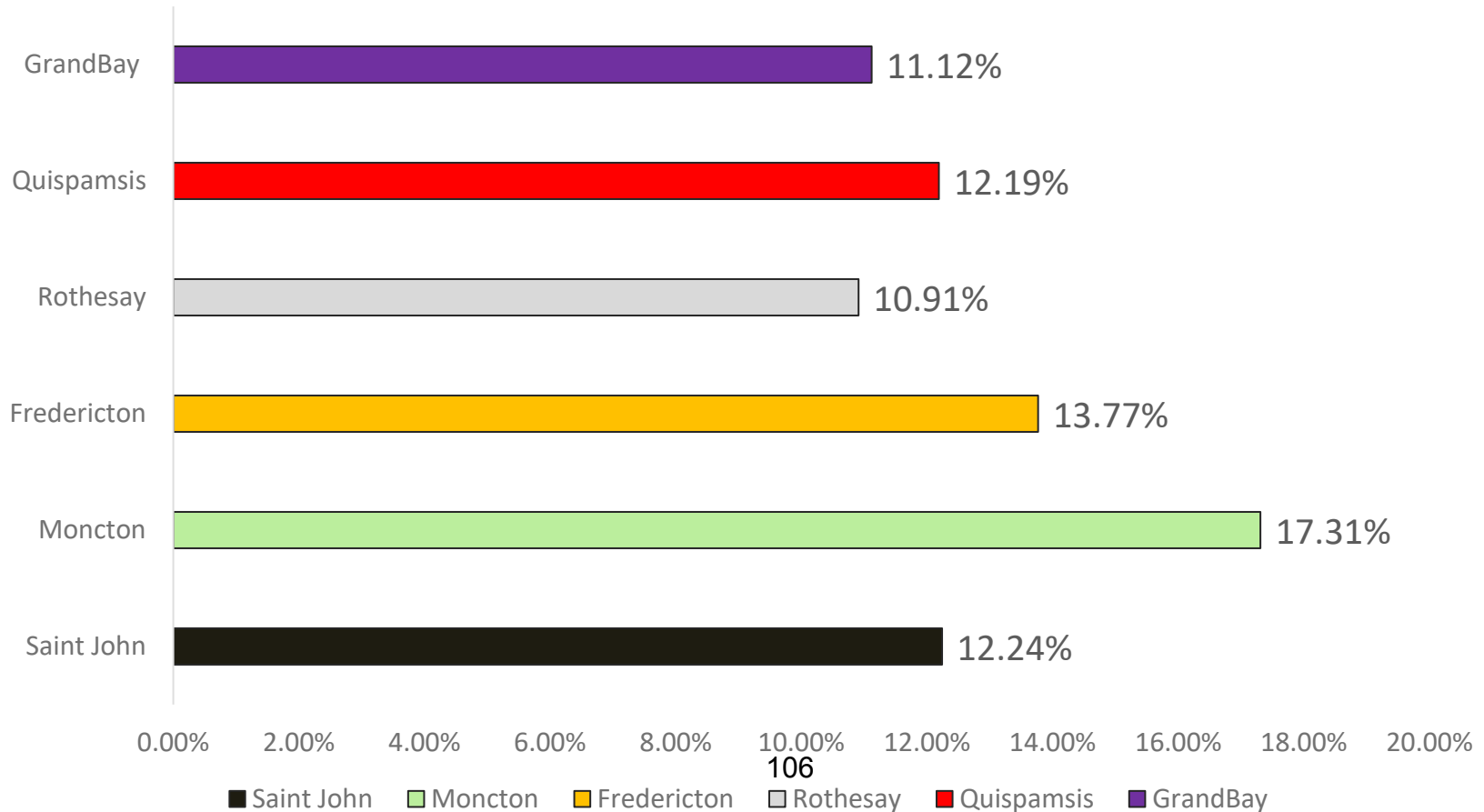
2023 Tax Base Increase



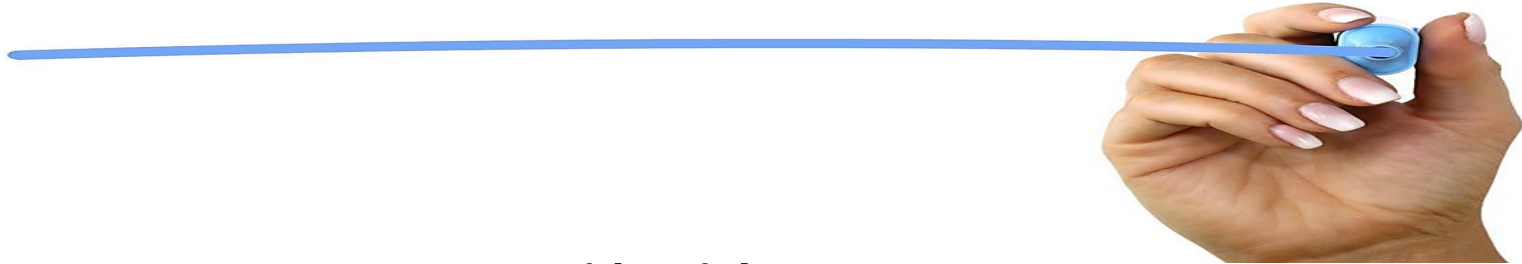
ASSESSMENT



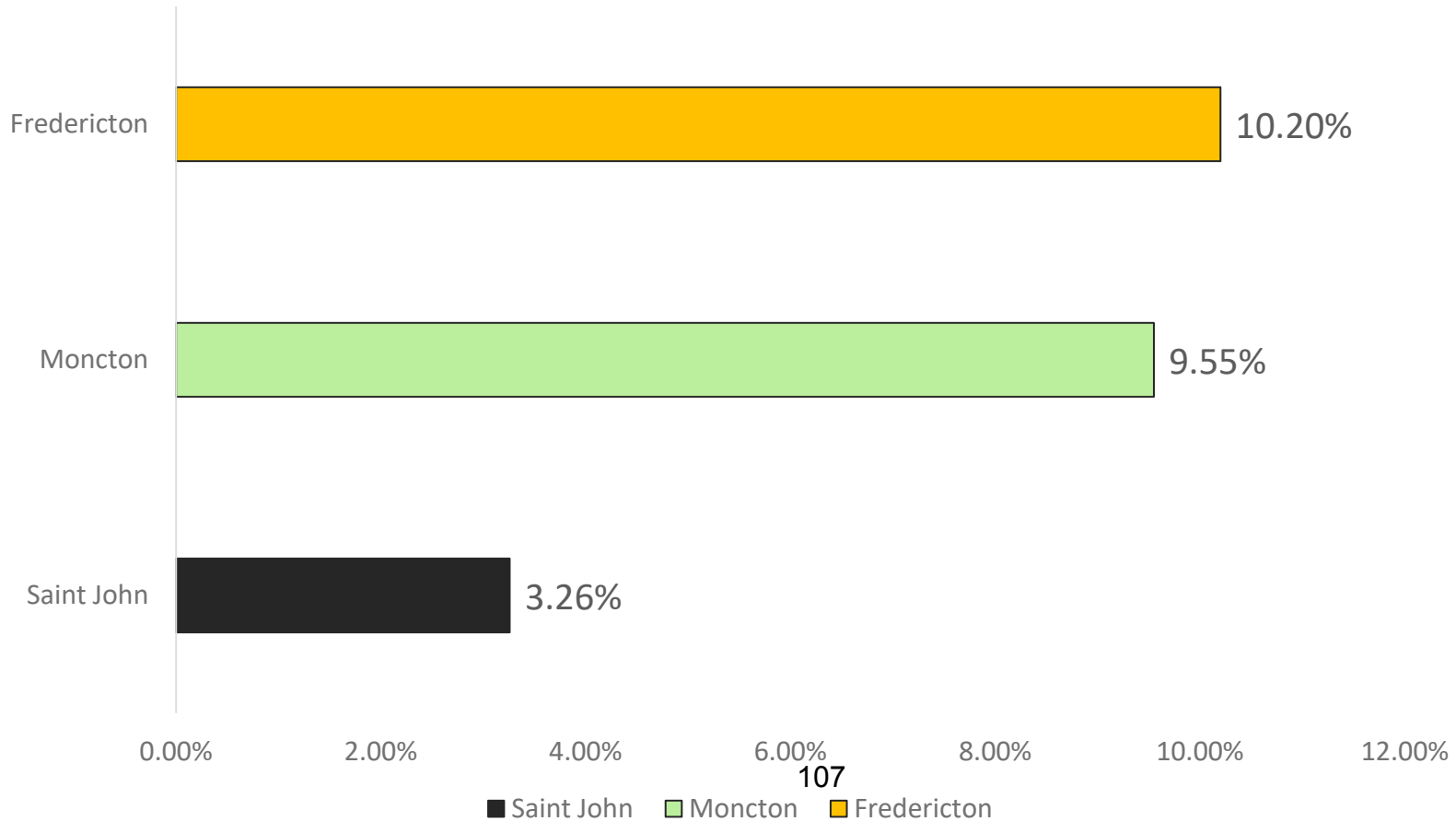
2023 Residential Tax Base Increase



ASSESSMENT



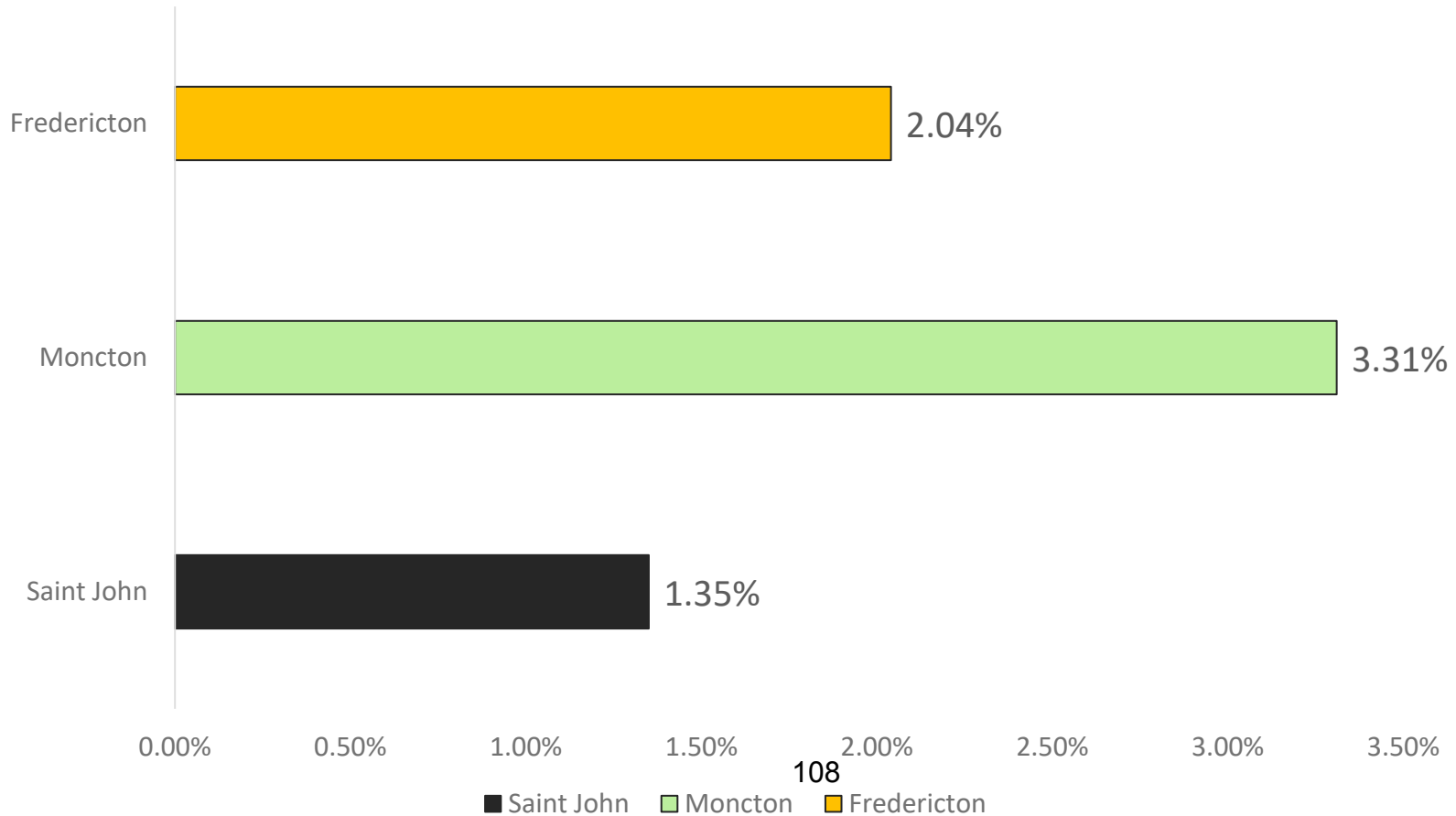
2023 - Non-Residential Tax Base Increase



ASSESSMENT

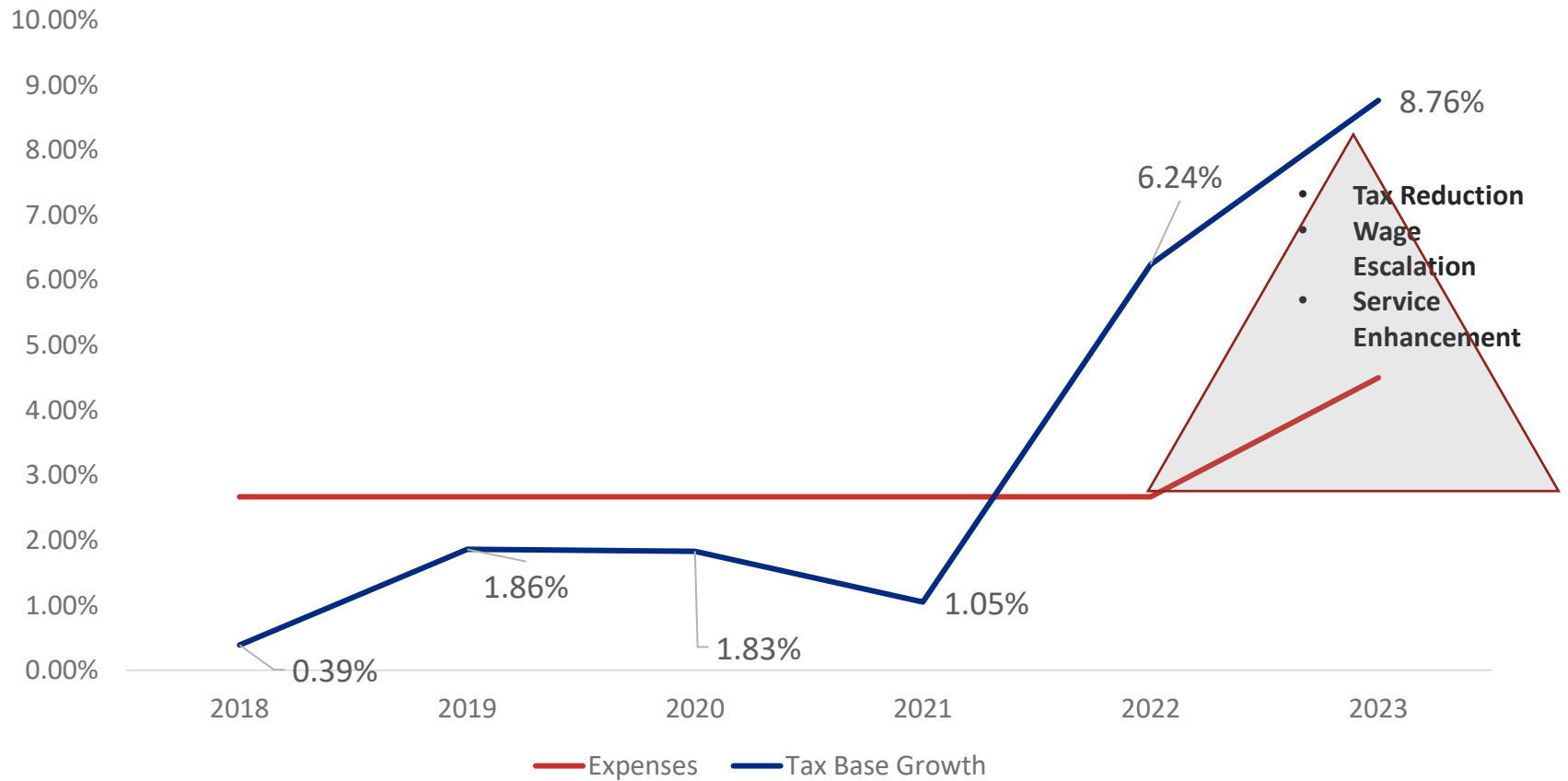


2023 New Construction % of Tax Base Growth



Structural Deficit

Expense Growth vs Tax Base Growth



Property Tax Revenue


	2023	2022
<i>Tax Base</i>	\$ 8,771,938,860	\$7,688,822,573
<i>Tax Rate per \$100 Assessment</i>	1.62	1.71
<i>Property Tax Revenue</i>	\$ 142,105,410	\$ 131,478,866
Equalization and Unconditional Grant	\$ 15,321,432	\$ 16,647,119

Increase in Property Tax Revenue of \$10.6 million or 8.08%

(Note Property Tax figures includes assessment base growth of 8.76%, reduced tax rate and applying 1.7 differential to Commercial and Heavy Industry

Decrease in Equalization and Unconditional Grant \$-1.36 million or -7.96%

2023 Wage Escalation Policy

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Wages & Benefits	\$93,112,848	\$88,420,263	\$4,692,586	5.307%
Wage Escalation Policy:				
Tax Base	2023	2022	2021	
%	8.76%	6.24%	1.05%	
Wage Escalation Policy Rate	5.35%			

2023 Operating Budget Growth

Overall increase in expenditures over 2022- \$11,718,124 or 7.1% Increase

- Wages and Benefits - \$4.69M – 5.30%
- Goods and Services - \$2.55M – 6.18%
 - Increases in fuel, insurance, asphalt, repairs and maintenance (inflationary)
 - Increase in assessment charge
- Grants – Agencies. Boards and Commission - \$1.46M – 11.78%
 - Increase for Transit subsidy
 - Additional cost for Regional Service Commission
 - Envision Saint John – (Increase related to additional Accommodation Levy budgeted for 2023)
- Fiscal and Other Charges - \$3.01M – 13.36%
 - Additional 1.35M in Capital from Operating
 - Additional 2.71M in Transfer to Reserves – “Recreation Facility Funding”



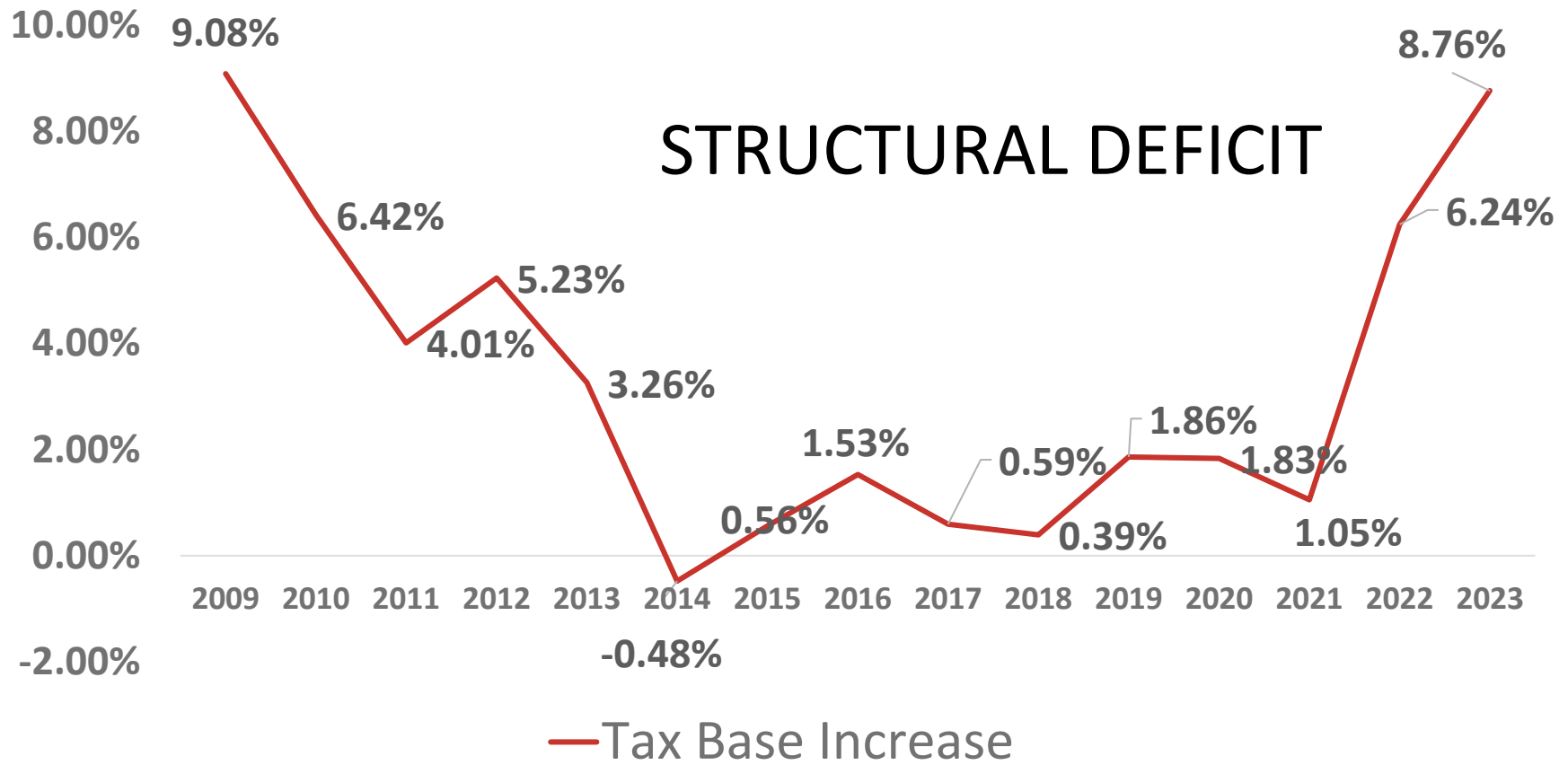
2023 Budget Guidance

1. Long Term Strategy
2. Competitive Advantage
3. Market Adjustment vs New Construction
4. Tax Multiplier for Heavy Industrial and Non-Residential
5. Increased Assessment - Tax Burden on Community
6. Mitigate Risk in 2023 Budget



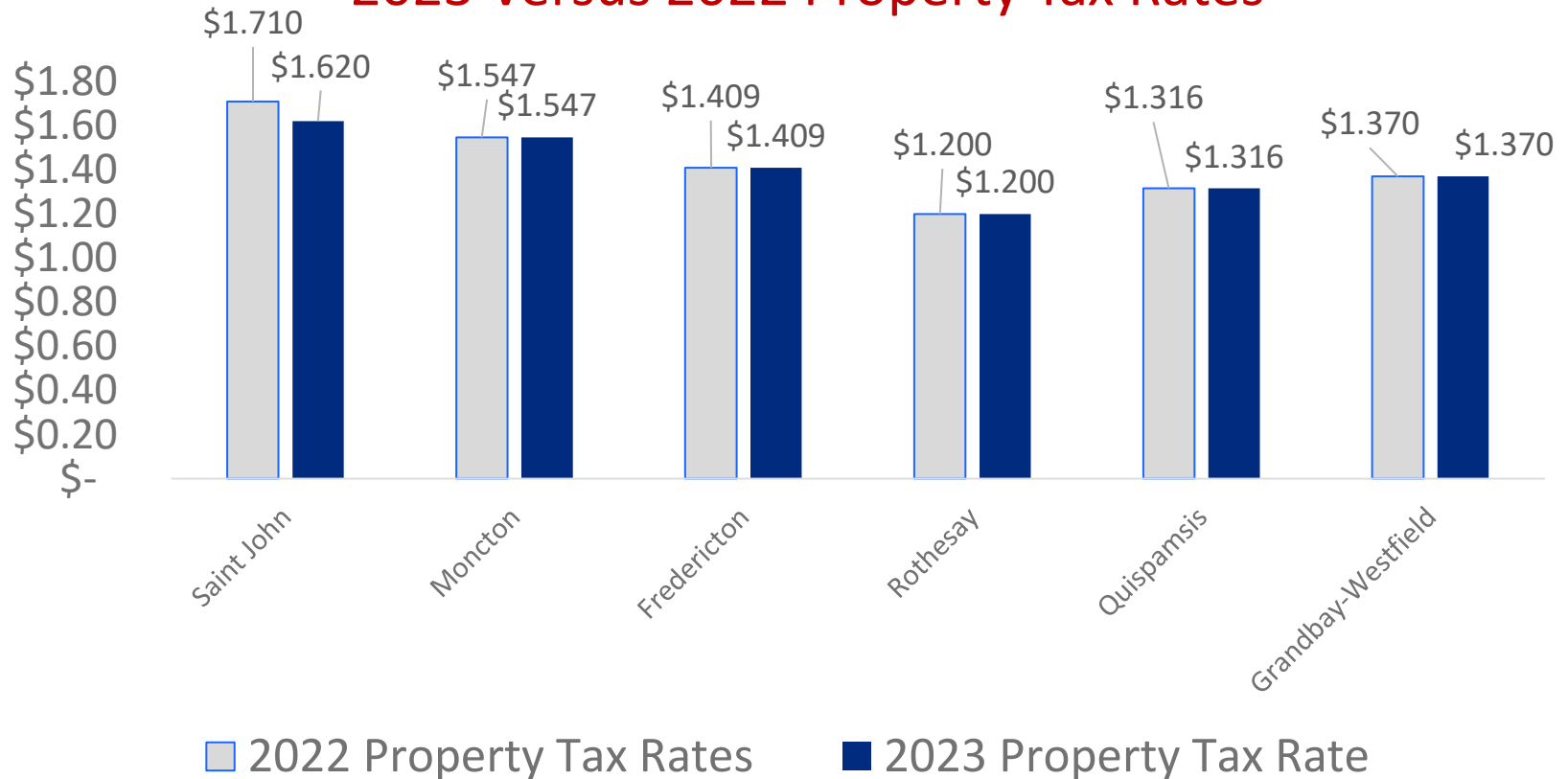
1. LTFP Needed in Good Times and Bad

Saint John Tax Base Increase



2. Competitive Advantage

2023 Versus 2022 Property Tax Rates



Note: 2023 Tax Rates for other Communities have not been released

2. Competitive Advantage

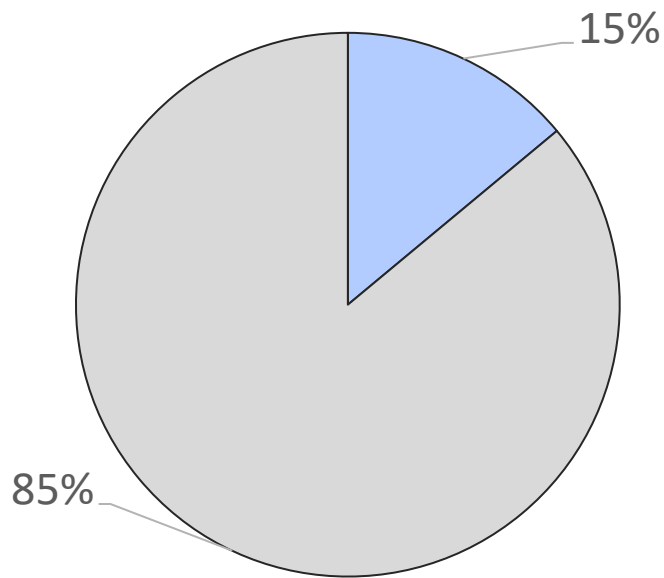
WHY IS HAVING A TAX RATE COMPETITIVE SO IMPORTANT?

- One of the biggest reasons today is simply “AFFORDABLE HOUSING”
- Affordable housing is a key priority for Council
- Attracting more population growth
- Reinforcing a stronger brand for Saint John
- Closing the gap between tax rates in Saint John compared to outlying communities



3. Market Adjustment versus New Construction

Saint John Tax Base



- New Construction
- Market Adjustment

NEW CONSTRUCTION (1.35%)
MARKET ADJUSTMENT (7.41%)
TOTAL ASSESMENT GROWTH -
8.76%

Market adjustments likely not to continue and high-level economic uncertainty remains

4. Applying the new tax multiplier for Heavy Industrial and Non-Residential

- Recommending the 2023 operating budget move the tax multiplier
 - Heavy Industrial Customers from 1.5 to 1.7
 - Non-Residential Customers from 1.5 to 1.7
- Presentation earlier by CFO Fudge provided recommendation for multiplier change



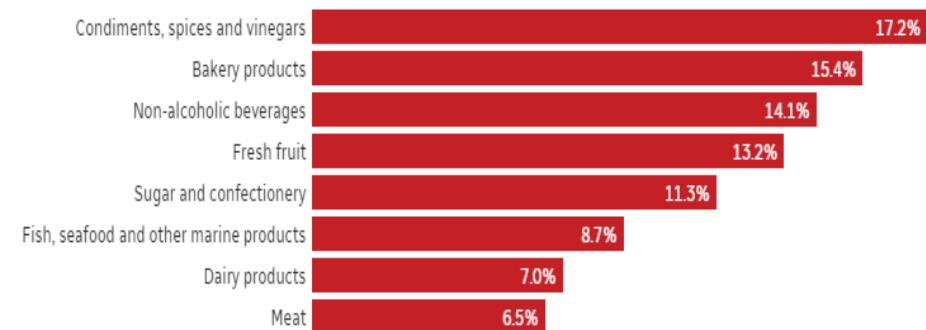
5. Increase tax and cost of living burden for Citizens

- Need in reducing the tax burden for Citizens
 - Reducing the tax rate
 - Applying the tax differential for Heavy Industry and Non-Residential
- Cost of living (inflation)
- Canadian Inflation Rate – 6.9% September 2022
 - New Brunswick Inflation Rate – 6.8% September 2022
- Property Tax Assessment – 8.76%
 - Provincially – 10.03%
- Food price continues to climb above inflation
- A recession is a real risk for 2023



How much more Canadians are paying for select grocery items

Percentage increase of average price between August 2021 and August 2022



6. Risk Mitigation – Following the Plan

- Follow the Long-Term Financial Plan
 - Continue to target tax rate reduction
 - Increase Pay as you go, debt reduction
 - Reserve funds for rainy days
 - Ensuring no structural deficit
 - Stay within Wage Escalation Policy
- Balance the plan with other priorities
 - Ensuring stable funding for additional services
 - Recreation Services
 - Internal Audit Services
 - One time funding for various plans/priorities
 - North End Neighborhood Plan
 - 10 Year HR Strategy and Performance Management System



Advantages of Tax Rate Reduction vs Spend

- **Mitigate** taxpayer burden from assessment increase
- **Tax Rate** – stay competitive with other municipalities
- **Flexibility** – can still increase tax rate by 1-2 cents and still be on track in the long-term financial plan
- **Strategic** - provides time to see if growth is sustainable
- **Risk management** – increasing cost of government is risky if growth is not sustainable, reducing cost is far more disruptive (layoffs, severances, moral, etc.)



Council Priorities



GROW

- Local Immigration Partnership, Succeed and Stay, Affordable Housing and Neighborhoods, Building Incentives & Urban Development Incentives, Additional Funding for Growth & Community Service programs.



GREEN

- Birch hill benefits (SJE Clean Energy), full implementation of Curbside Recycling, opportunities to green fleet with replacement program.



BELONG

- Affordable Housing & Neighborhoods, Additional funding for recreation programming



MOVE

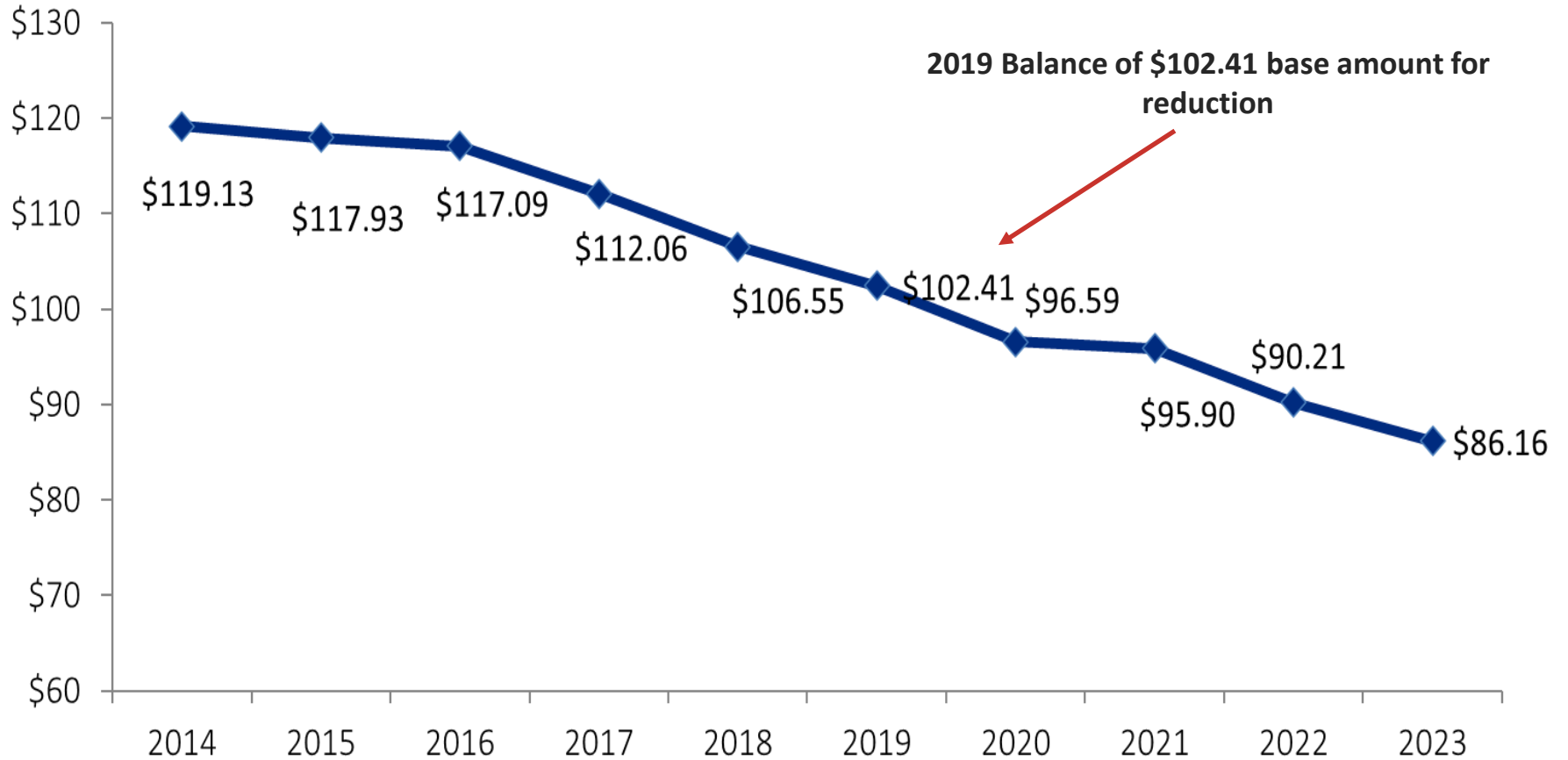
- Budget to sustain road network, traffic engineer and safety. Additional funding for Saint John Transit.



PERFORM

Target – Reduce 25% by 2030

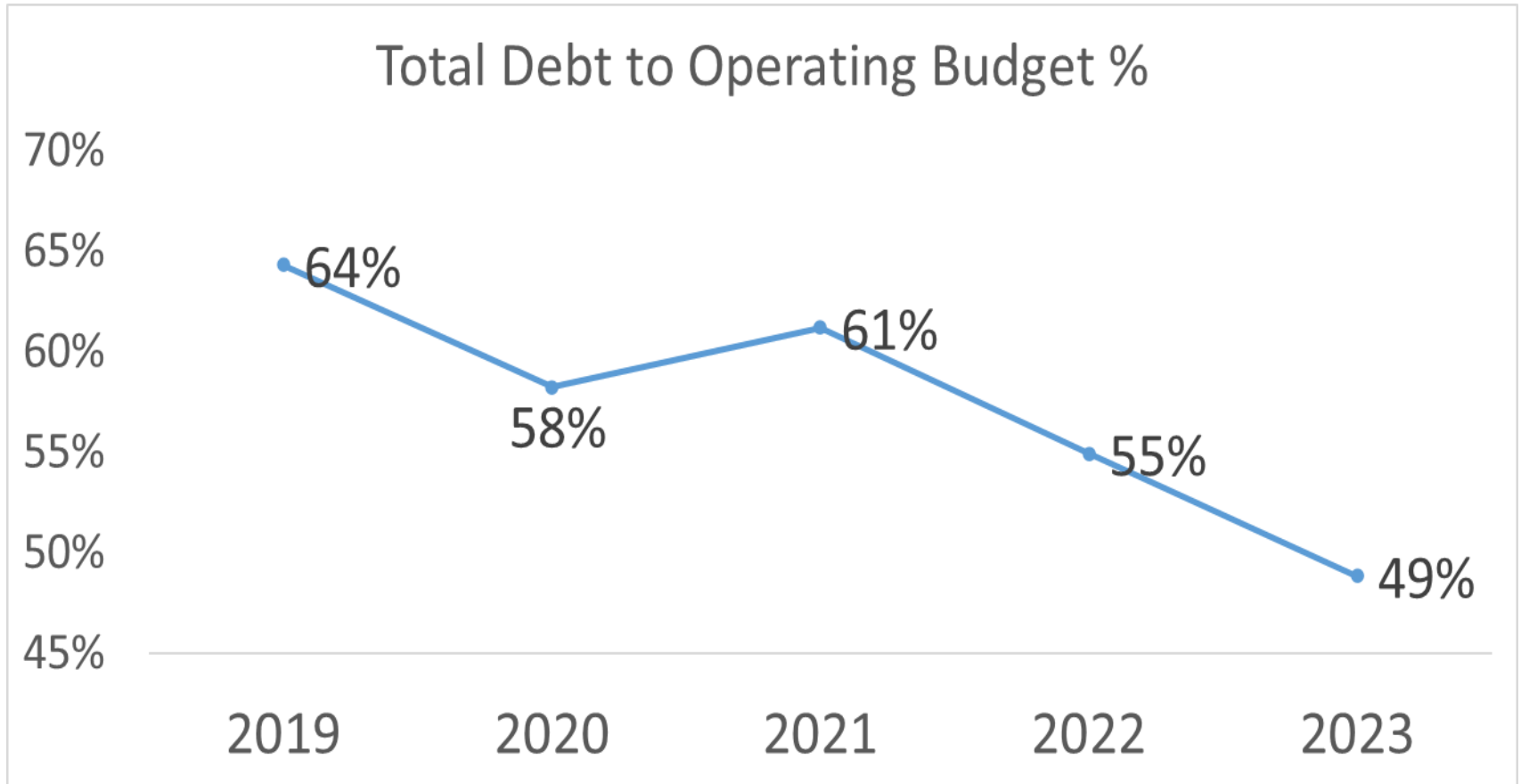
General Long Term Debt - \$Millions





PERFORM

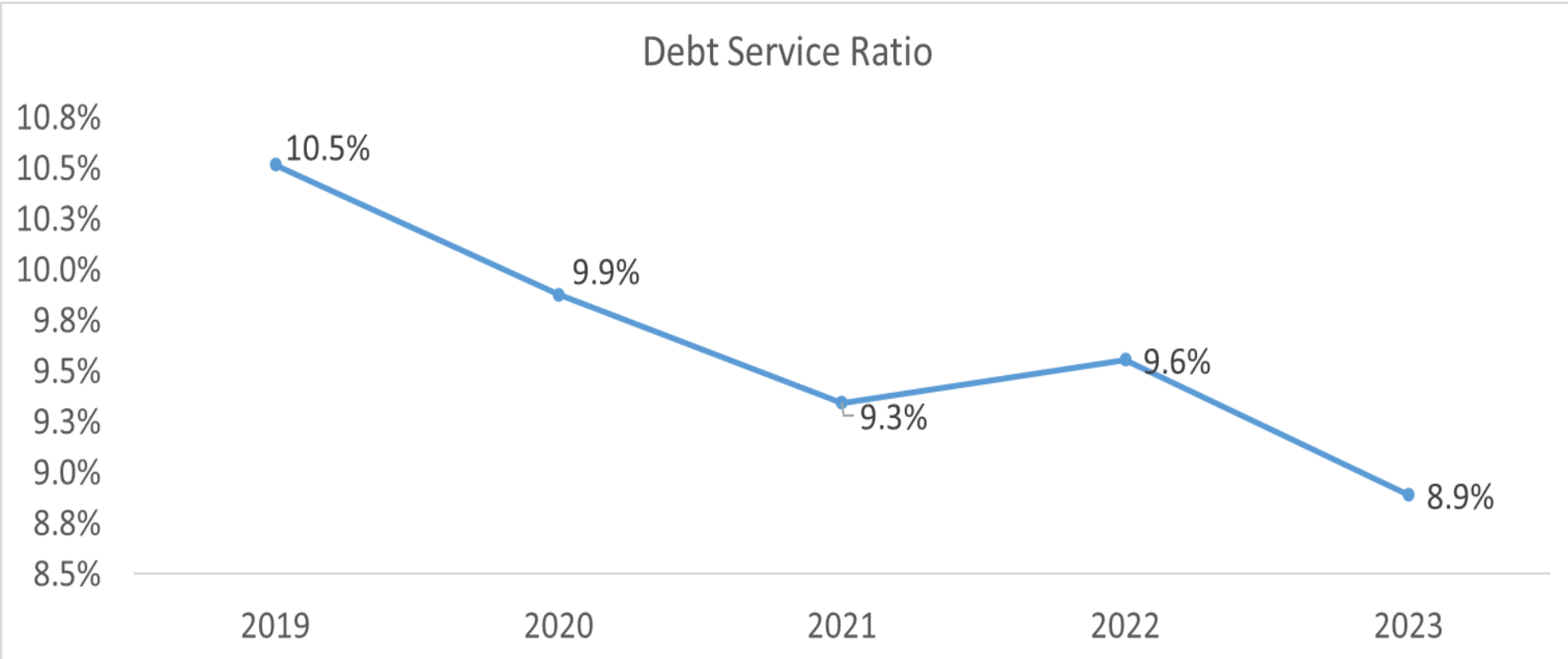
Target - 50% by 2030





PERFORM

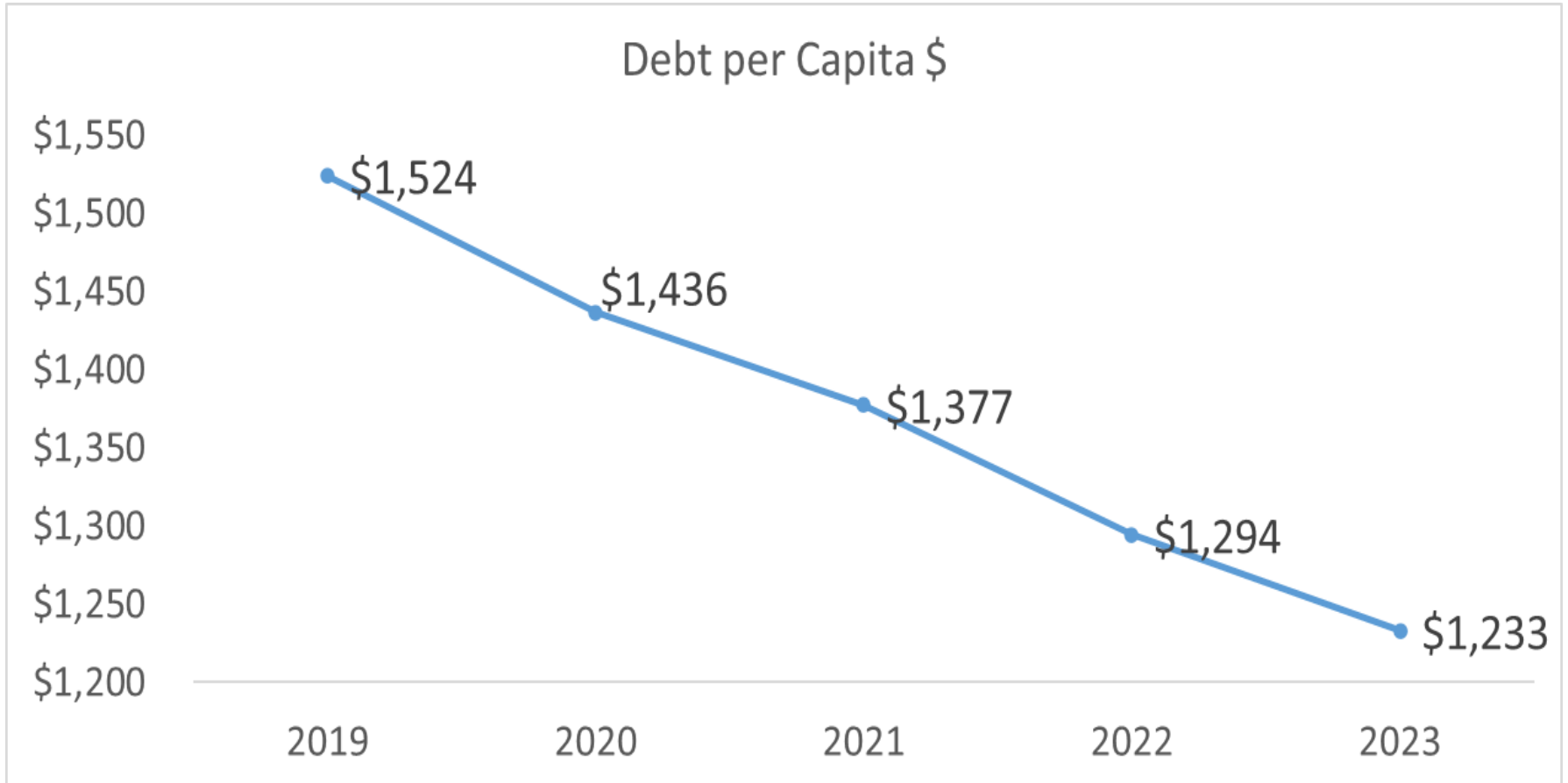
Target - 9% by 2030





PERFORM

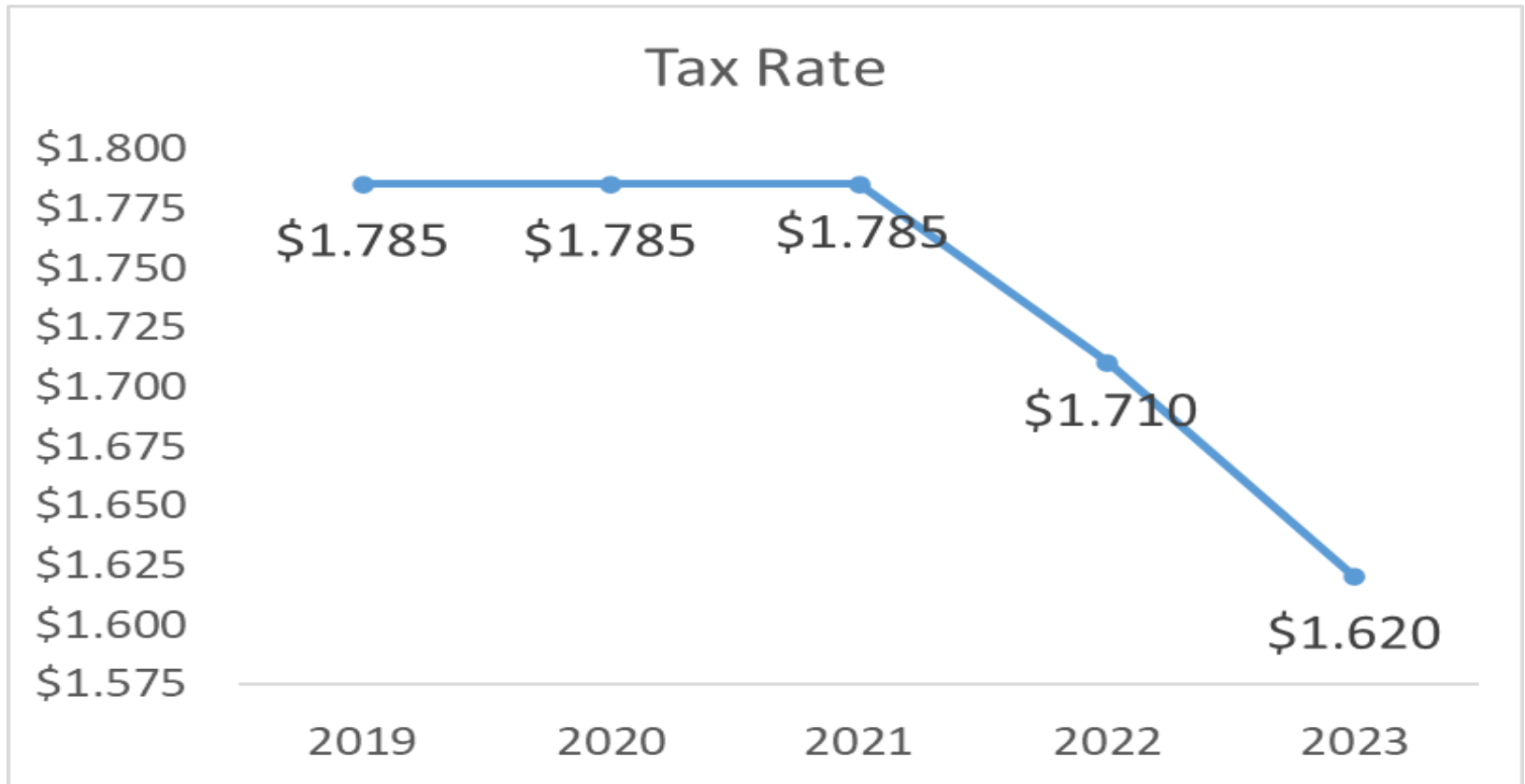
Target – \$1,175 by 2030





PERFORM

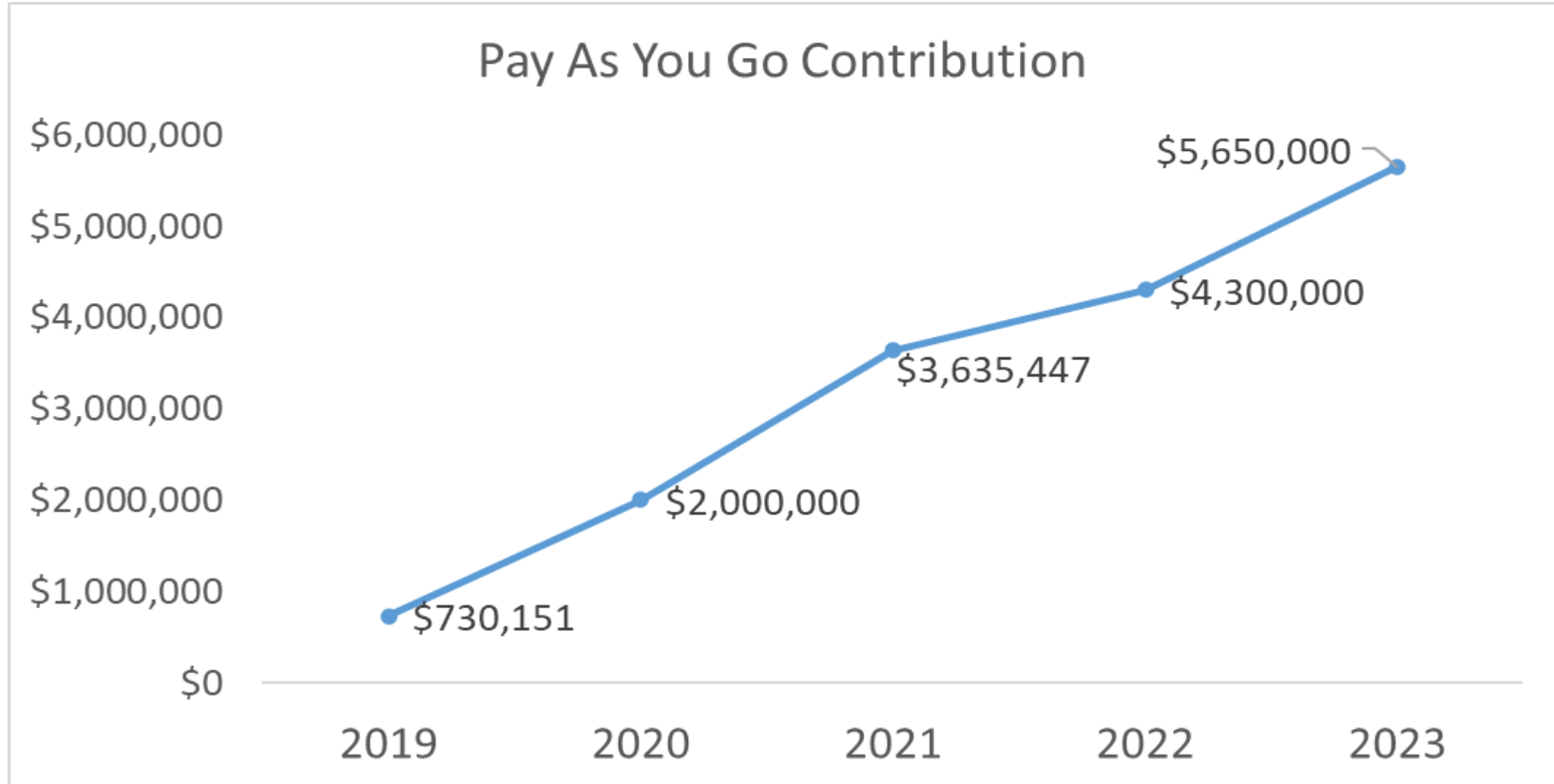
Target – 1.57% by 2030





PERFORM

Target – \$12M by 2030



Recommendation

- Reflect upon the proposed 2023 General Fund Operating Budget and make any and all inquiries to staff.
- Receive and file this presentation & attached reports.

Conclusion



FINANCE COMMITTEE REPORT

Report Date	October 26, 2022
Meeting Date	November 03, 2022

Chairman Councillor Sullivan and Members of Finance Committee

SUBJECT: 2023 Utility Fund Operating Budget

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Finance Committee.

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Craig Lavigne</i>	<i>J. Brent McGovern</i>	<i>John Collin</i>

RECOMMENDATION

It is recommended that the Finance Committee approve the proposed 2023 Utility Fund Operating Budget and forward to the next meeting of Common Council for approval and first and second reading of Water and Sewerage Bylaw amendments.

EXECUTIVE SUMMARY

The 2023 Utility Fund Operating Budget will represent the fifth year in a row that will see no rate increase for ratepayers that use both water and sewer services. These ratepayers include both flat rate customers which will see the annual cost remain the same at \$1,428 per year and metered customers will see no change in the cost per cubic meter and meter charges.

The budget also includes rates for the Industrial Raw Water customers who will see various levels of increases in the rates compared to the approved 2022 Industrial Raw Water rates.

The Utility has continued to focus on all areas of its business to reduce costs in 2022. Rate stabilization has been achieved for rate payers for the past five years despite the Utility still experiencing declining revenues and increasing costs in several areas.

PREVIOUS RESOLUTION

N/A

STRATEGIC ALIGNMENT

The proposed 2023 Utility Fund Operating Budget is aligned with Council's priorities demonstrated through the commitment to address infrastructure risk associated with climate change, focusing on its leak detection program that helps eliminate water waste. The Utility continues to find operational efficiencies through continuous improvement, focus on ensuring service objectives are being met and managing the finances of the Utility to achieve rate stabilization for rate payers.

REPORT

The 2023 Utility Fund Operating Budget will represent the fifth year in a row that will see no rate increase for ratepayers that use both water and sewer services. These ratepayers include both flat rate customers who will see the annual cost remain the same at \$1,428 per year and metered customers will see no change in the cost per cubic metre and meter charges.

Potable Revenue

Overall potable revenue for 2023 is budgeted at \$37,550,000 (2022- \$36,920,000). The Utility has experienced a reduction in flat rate accounts over the past several years, however it anticipated the loss in customers accounts has leveled and 2023 will see a minor increase.

Meter rate revenue is from metered customers and are largely commercial, manufacturing, malls, schools, restaurants, hotels, and apartment buildings. COVID 19 has had a negative impact on many of these businesses, however throughout 2022 revenue is trending positive. The Utility is being conservative in predicting water consumption for 2023, however is estimating an increase in consumption as the recovery continues.

The Utility is also recommending \$421,492 be transferred from the operating reserves. There is \$750,000 budgeted in 2023 for the dredging of Lancaster Lagoon and the operating budget cannot absorb this cost and hold the rates stable. This is a one-time cost that is not expected to reoccur for approximately a decade and therefore the one-time use of funds from the operating reserve is appropriate.

The balance of revenues includes the fire protection levy, storm sewer levy, interest revenue, other revenue, and prior year surplus.

Potable Expenditures

The Utility operating expenditures increased by \$1,101,502 or 2.66% over 2022. Wages and benefits increased by \$159,729 or 1.51% despite the general fund setting the wage escalation rate at 5.35% due positive assessment growth. This is due to further attrition and position reduction through 2022. The largest driver in

expenditures is the \$750,000 budgeted for the Lancaster Lagoon large scale dredging, an operational project that is necessary before capital improvements to the Lagoon are made as part of the Utility Capital Program. The balance of inflationary increases has been offset through other savings and efficiencies.

The Utility still has a large amount of expenses that cannot be reduced further to provide water and sewer services. Costs such as annual payments for the water treatment plant capital and operating, cost of operating water and wastewater pump stations, sewer treatment plants, debt payments, electricity, property taxes, chemicals and insurance are just some examples of areas that need to be funded to provide services.

There are several initiatives that will be undertaken in the 2023 budget. There will be leak detection done on 33% of the east water distribution system which may identify leaks to be repaired to improve water efficiency and maintain a highly reliable water system. An intelligent hydrant pilot program is being undertaken to help identify potential leaks while generating alerts to staff for follow up. The fire hydrant and paint program will continue into 2023 with approximately 25% of the 2,100 hydrants repainted and inspection of 35% of the hydrants.

The budget includes, as mentioned earlier, significant investment in Lancaster Lagoon, along with biofilter media replacement at the Eastern Wastewater Treatment Facility. There is increased funding in trenchless technology, an efficient and cost-effective repair solution as well as security upgrades at the three large wastewater treatment facilities.

The budget includes \$4,867,800 million in pay as you go (capital from operating). This will allow the Utility to complete its 2023 capital program without any borrowing. There has been a lot of success in obtaining funding for Capital projects as can be seen in the proposed 2023 Capital Utility Budget. The funding will allow the Utility to focus on climate change initiatives, sewer separation and the renewal of underground infrastructure in coordination with the General Fund.

Industrial Raw Water

The Utility budget also includes the expenditures and revenues for the four customers who receive raw untreated water. The bylaw rates include.

- Operational cost to provide the service,
- Contributions to asset replacement/asset management,
- Rate stabilization reserves,
- New debt associated with the industrial system delivering the service,
- Previous debt associated with being a member of the water distribution system.

In summary, the City set the rates to cover all operating costs associated with providing raw water to each customer, recover past debt associated with each system and include a charge for future asset replacement. There is also a charge

to some customers to cover the cost of assets currently being replaced, along with funding to a rate stabilization reserve for each customer.

Rates for each of the four customers are seeing various degrees of increases. Some of the increases are a result of lower than consumption estimates or higher cost of service.

Overall, the consumption rates will increase for each customer as note below.

	Customer	2023 Rate	2022 Rate
East Industrial	Irving Oil	0.2834	0.2755
	Irving Paper	0.0896	0.0677
West Industrial	Irving Pulp & Paper	0.0816	0.0704
	NB Power Coleson Cove	0.9199	0.7145

Conclusion

The fifth straight rate freeze for 2023 is a positive note for potable ratepayers particularly with the current economic environment and inflationary pressures. The Utility has continued to focus on cost reductions, continuous improvement, finding efficiencies, and process improvements in 2022, as well as debt management, leveraging of funds from other levels of Government and pay as you go (no borrowing) for all capital expenditures.

The Utility will continue to focus on the various cost control initiatives. However, a major issue the Utility cannot control is its revenue base. As positive growth continues in the City, the Utility often bears a large cost for infrastructure related to growth, but will see very little revenue in comparison to the tax assessment the City receives.

In accordance with the City Manager’s Work Plan and updates to the Finance Committee, work has commenced on preparing for 10-year long-term financial plan and work on it will be completed in 2023. The document will provide the financial road map for the Utility.

SERVICE AND FINANCIAL OUTCOMES

See enclosed 2023 Utility Fund Operating Budget

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

The budget was established in collaboration with the City’s Finance team.

ATTACHMENTS

- Appendix – A – 2023 Saint John Water Operating Budget
- Presentation

Saint John Water

2023 Water & Sewerage Operating Budget



	2023 Budget \$	2022 Budget \$
Revenues		
Flat Rate Accounts	22,250,000	22,250,000
Meter Rate Accounts	15,300,000	14,670,000
Industrial Raw Water Accounts	6,983,657	6,347,859
Fire Protection Levy	2,500,000	2,500,000
Storm Sewer Levy	925,000	925,000
Other Revenues	1,365,000	937,216
Previous Year's Surplus	680,796	437,400
Total Revenues	50,004,453	48,067,475
Expenditures		
Drinking Water Service	22,883,671	21,560,595
Wastewater Service	19,062,663	19,272,505
Infrastructure Management	709,668	717,900
Industrial Raw Water Service	7,348,451	6,516,475
Total Expenditures	50,004,453	48,067,475
Surplus (Deficit)	-	-

Saint John Water

2023 Water & Sewerage Operating Budget



	2023	2022
	Budget	Budget
Revenues		
Flat Rate Accounts	22,250,000	22,250,000
Meter Rate Accounts	15,300,000	14,670,000
Industrial Raw Water Accounts	6,983,657	6,347,859
Fire Protection Levy	2,500,000	2,500,000
Storm Sewer Levy	925,000	925,000
Other Revenues	1,365,000	937,216
Previous Year's Surplus	680,796	437,400
Total Revenues	50,004,453	48,067,475
Expenditures		
Drinking Water Service		
Watershed Management	794,953	822,650
Water Treatment	8,768,620	8,440,300
Water Pumping & Storage	1,230,957	1,178,345
Transmission & Distribution	4,396,550	4,503,100
Customer Metering	720,634	728,300
Internal Charges	510,050	467,500
Other Charges	574,093	555,000
Debt Servicing	3,752,315	3,808,000
Transfer to Operating Reserve	0	0
Capital from Operating	2,135,500	1,057,400
Total Drinking Water Service	22,883,671	21,560,595
Wastewater Service		
Wastewater Pumping	3,131,775	2,997,800
Wastewater Collection	3,039,799	3,017,855
Wastewater Treatment	6,054,322	4,919,450
Internal Charges	510,050	467,500
Other Charges	574,093	555,000
Debt Servicing	3,020,324	3,202,100
Capital from Operating	2,732,300	4,112,800
Total Wastewater Service	19,062,663	19,272,505

Infrastructure Management		
Engineering Services	709,668	717,900
Total Infrastructure Management	709,668	717,900
Industrial Raw Water Service		
Watershed Management	668,245	660,800
Water Pumping & Transmission	2,157,068	1,859,300
Customer Metering	176,652	175,950
Debt Servicing	1,846,586	1,892,065
Transfer to Capital Reserves	836,677	1,005,304
Transfer to Operating Reserve	895,516	455,178
Capital from Operating	767,708	467,878
Total Industrial Raw Water Service	7,348,451	6,516,475
Total Expenditures	50,004,453	48,067,475
Surplus (Deficit)	-	-

Annual Flat Rate - Water and Sewerage	\$1,428	\$1,428
Meter Rates:/Cu.m.		
Block 1 - First 100	\$1.9940	\$1.9940
Block 2 - Excess of 100	\$1.2700	\$1.2700

Consumption based on Bi-monthly billings

NOTE: Sewer Surcharge 80.35% of Water Charge

Industrial Raw Water Rate:/Cu. M

East Industrial		
Irving Oil	\$0.2834	\$0.2755
Irving Paper	\$0.0896	\$0.0677

West Industrial		
Irving Pulp and Paper	\$0.0816	\$0.0704
NB Power (Coleson Cove)	\$0.9199	\$0.7145

Industrial Raw Water Rate - Bi-monthly fixed charge

East Industrial		
Irving Oil	\$27,057	\$25,067
Irving Paper	\$7,874	\$3,587
West Industrial		
Irving Pulp and Paper	\$53,094	\$45,879
NB Power (Coleson Cove)	\$1,322	\$1,329



SAINT JOHN



2023 Utility Fund Operating Budget

November 3, 2022

Finance Committee Meeting

2023 Utility Fund Budget Timeline

- November 3: Utility Potable and Industrial Water Budget to Finance Committee with recommendation to approve and submit to Common Council for approval.
- November 14: Utility Potable and Industrial Water Budget to Common Council approval and for 1st and 2nd reading of By-Law amendments.
- November 28: Utility Budgets to Common Council for 3rd reading of By-law amendments.

2023 Potable Utility Fund Budget Context

- **No proposed increase** for flat rate customers or metered customers
- 2023 Flat Rate \$1,428 per year (5th straight year)
- Ongoing focus on significant cost reductions has led to rate stabilization and is allowing the Utility to mitigate the current economic pressures.
- Debt Reduction – aggressive pay down and once again no new debt proposed for 2023 (2017 SCDWP last borrowing)
- Budget aligns with Wage Escalation Policy despite wage escalation rate set from growth in General Fund Revenue

2023 Potable Utility Fund Budget Context

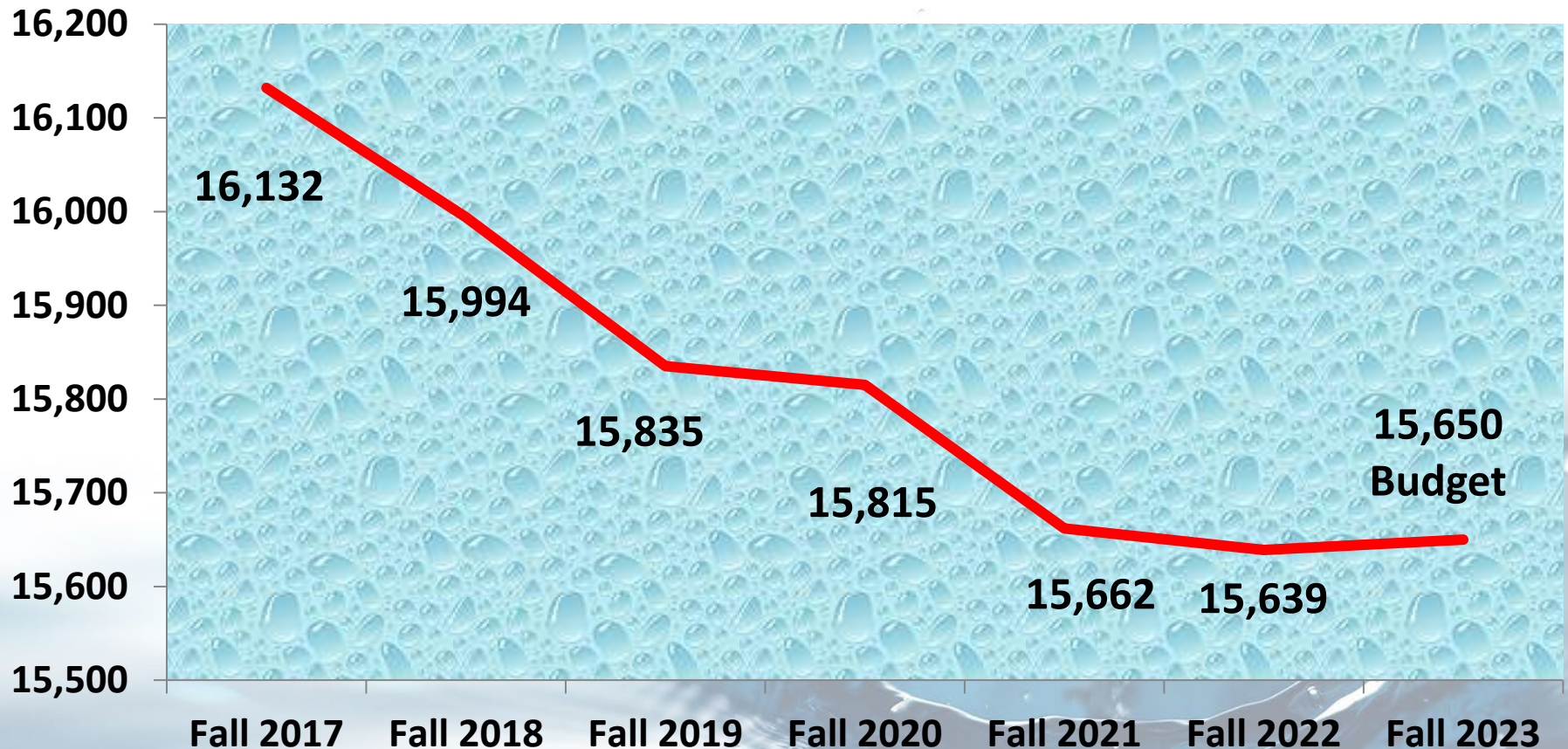
Saint John Water 2023 Water & Sewerage Operating Budget



	2023 Budget \$	2022 Budget \$
Revenues		
Flat Rate Accounts	22,250,000	22,250,000
Meter Rate Accounts	15,300,000	14,670,000
Fire Protection Levy	2,500,000	2,500,000
Storm Sewer Levy	925,000	925,000
Other Revenues	943,508	937,216
Transfer from Operating Reserves	421,492	-
Previous Year's Surplus	316,002	268,784
Total Revenues	42,656,002	41,551,000
Expenditures		
Drinking Water Service	22,883,671	21,560,595
Wastewater Service	19,062,663	19,272,505
Infrastructure Management	709,668	717,900
Total Expenditures	42,656,002	41,551,000
Surplus (Deficit)	142	-

2023 Potable Flat Rate Units

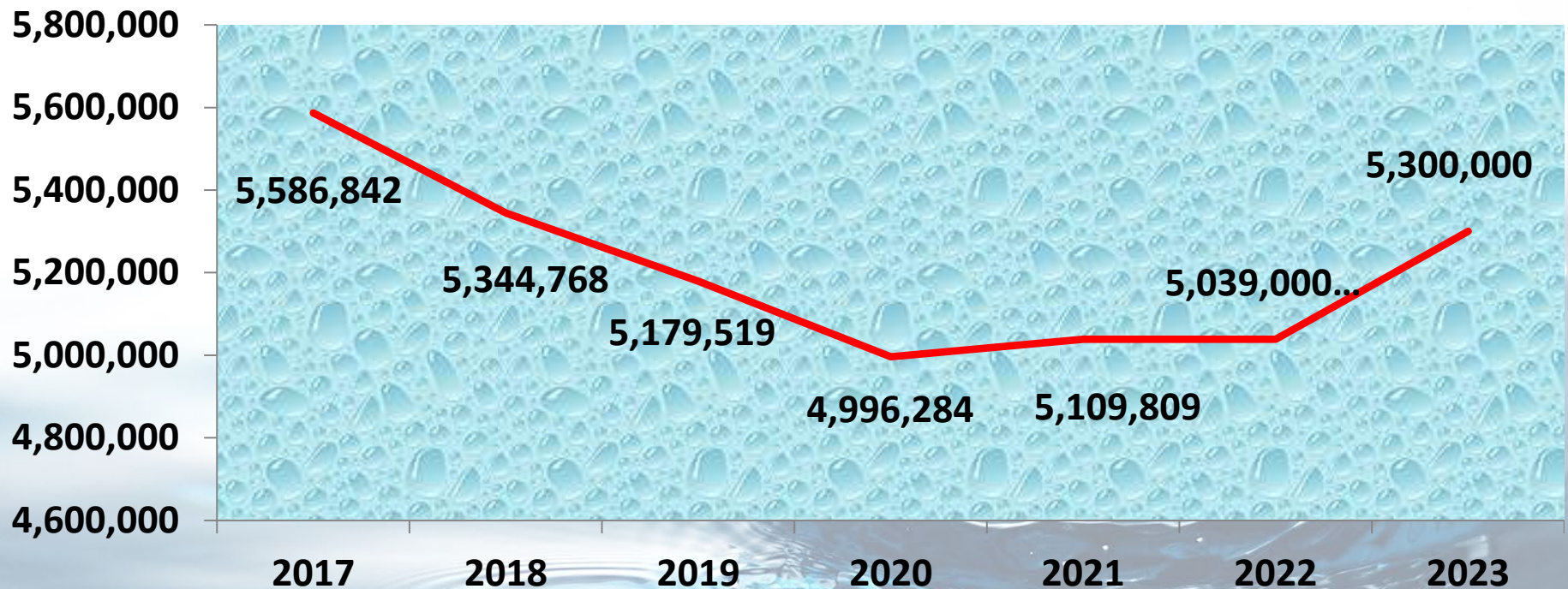
Flat Rate Billings by Units 2017-2023



2023 Potable Metered Consumption Budget

- No increase in meter rates – rate stability for Commercial users
- Metered consumption is recovering and anticipate continued increase into 2023

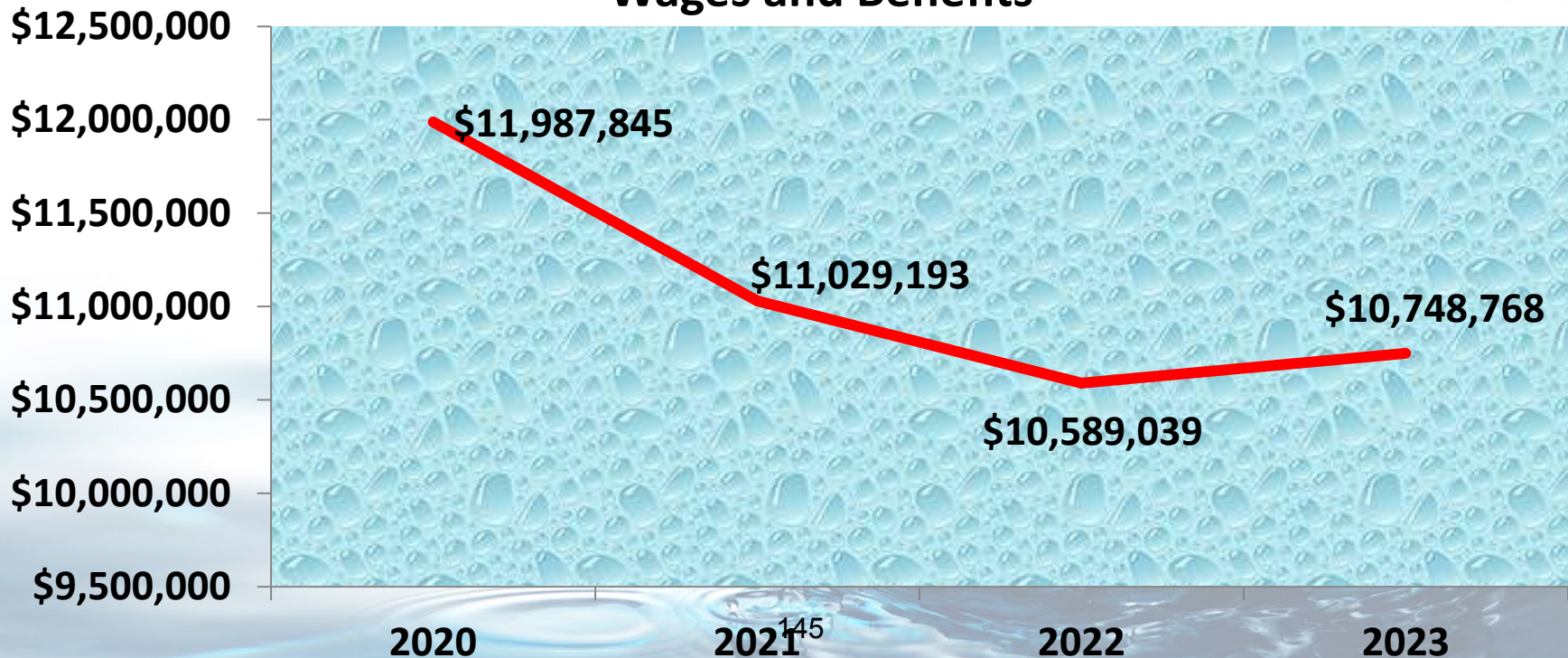
Non Industrial - Meter Consumption



2023 Utility Fund Budget Wages & Benefits

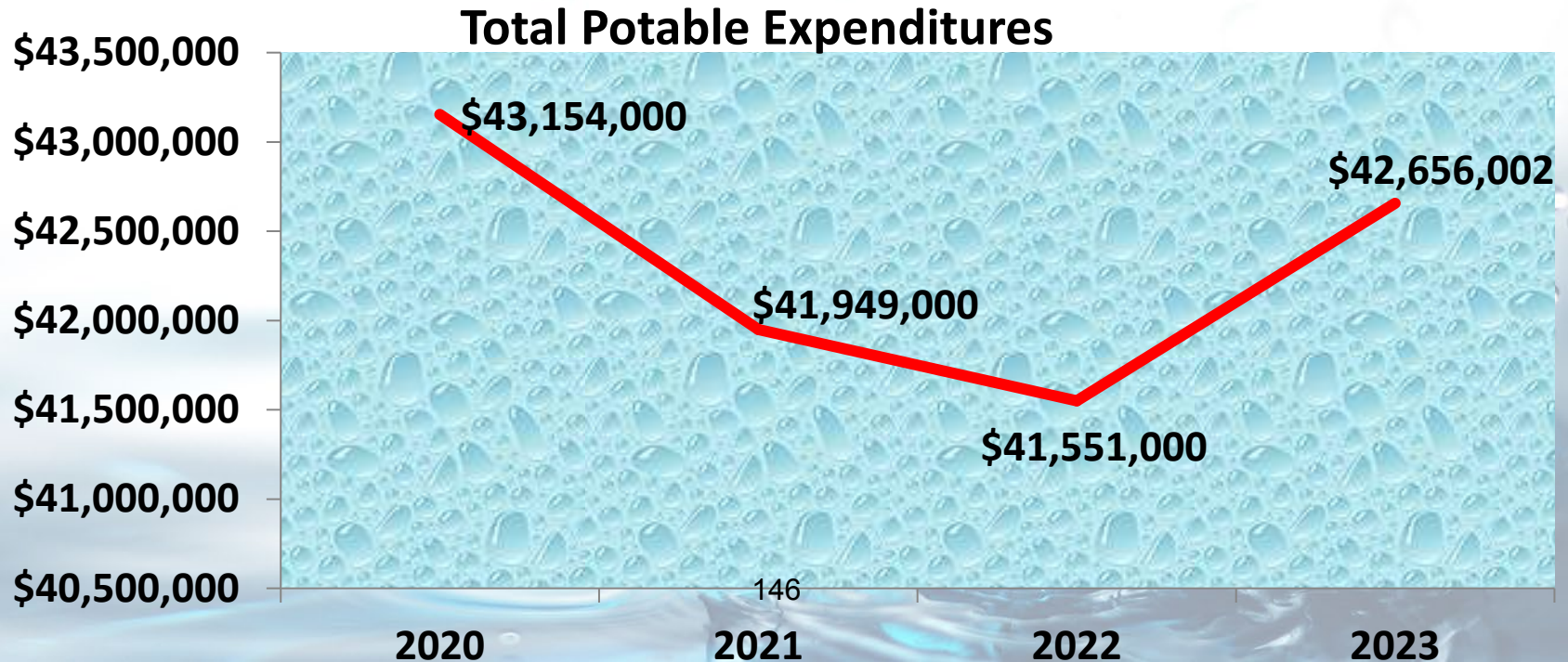
- Significant wage & benefit budget reductions over last few years
- Wage and Benefits increase of only 1.51% despite wage escalation rate of 5.35%

Wages and Benefits



2023 Utility Fund Potable Budget Expenditures

- Largest Driver of expenditures is the one-time expense for Lancaster Lagoon included in the 2023 budget - \$750,000
- Budget recommends transfer from Operating Reserves - \$421,492 to offset this expenditure
- All inflationary increases have been mitigated with other savings



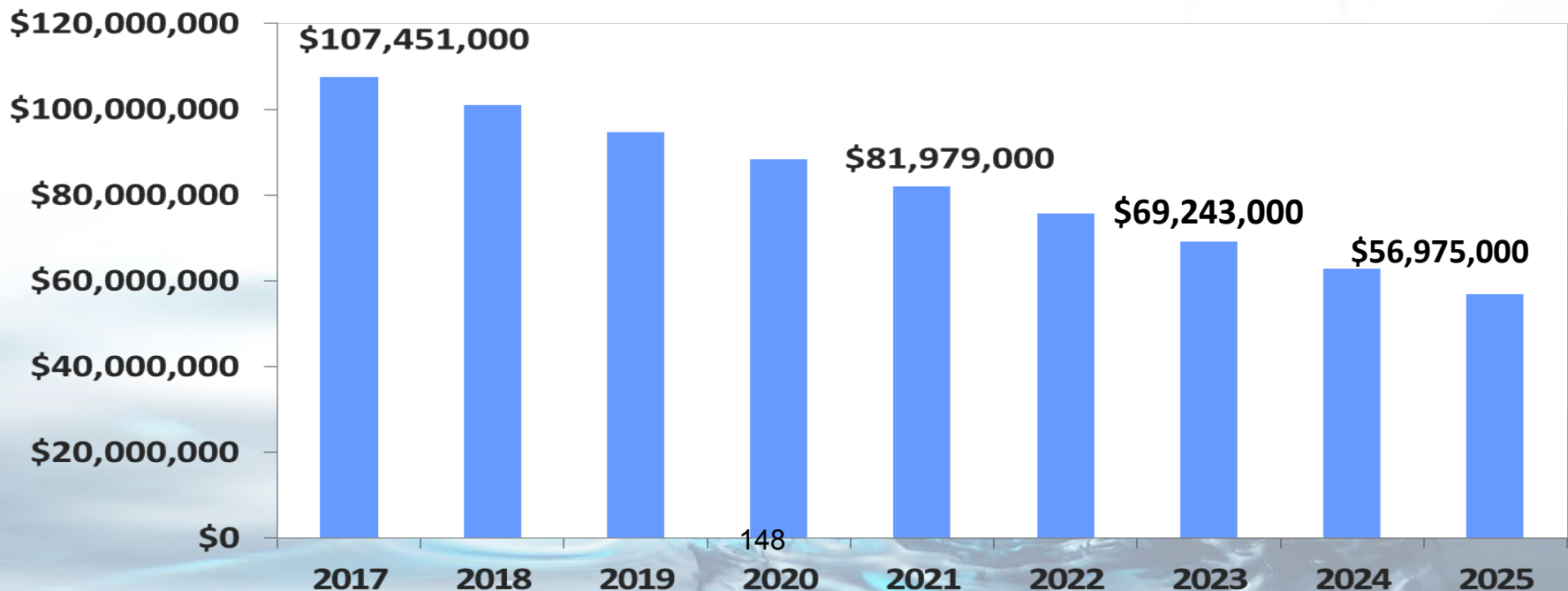
2023 Utility Fund Potable Revenue Challenges

- New Tax Base Growth does not translate into same level of revenue for Utility
- Example – New Development – “The Wentworth”
- Estimated New Annual Property Tax for the City – \$230,000 annually
- Estimated New Annual Water and Sewerage Revenue for Utility – \$30,000-\$32,000 annually
- Good news is revenues are trending positive in 2022 and expected to continue into 2023, meter rate revenue budgeted to increase 4.3% over 2022.



2023 Utility Fund Debt Reduction

- No new debt for 2023 – continued efforts to pay down debt
- Fund capital from operating budget - \$4,867,800
- Capital projects - secured funding from other levels of government
- Debt will be reduced by 35.56% by end of 2023 based on 2017 (\$38.21M debt paid down over 6 years)



2023 Utility Fund Potable Budget Initiatives

- Leak detection of approximately 33 % of the east water distribution system, repair identified leaks to minimize water loss and improve water system efficiency and reliability
- Intelligent hydrant pilot program - Smart Hydrant's main function is to identify potential leaks within infrastructure while generating alerts to operations staff for follow up actions in the field.
- Fire Hydrant Inspection & Painting Program (repaint approx. 25% and inspect approx. 33% of the 2,100 in inventory)



2023 Utility Fund Potable Budget Initiatives

Wastewater Treatment

- Dredging of the Lancaster Lagoon.
- Biofilter Media Replacement at the Eastern Wastewater Treatment Facility.

Wastewater Collection

- Increased funding in the trenchless technology programs to complete more sanitary pipe repairs through pipe patching. Reduces the need to excavate pipes, repair and reinstate asphalt.

Security System Upgrades

- Sliding gates with SALTO technology at the entrances to the three large wastewater treatment facilities.



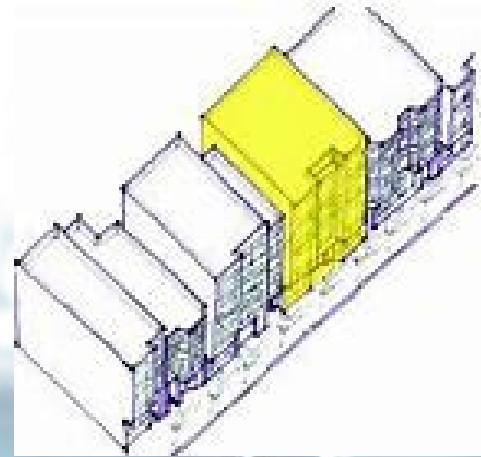
Rate Stabilization Actions Continued

1. Holding or lowering a lot of costs (staffing reductions, CI projects, optimizing operational costs, etc)
2. Continuing to look for savings – Continuous Improvement initiatives ongoing
3. Not borrowing for Capital work
4. Focusing on asset replacement as opposed to new assets (i.e. reducing the infrastructure deficit)
5. Seeking to leverage every dollar (capital and operating budget) to get maximum benefit for ratepayers, funded under numerous programs
6. Tendering capital projects early



Rate Stabilization Actions Continued

7. Asset Management - extending the life of existing assets (lining, repairing as opposed to replacing, enhancing preventative maintenance, etc)
8. Aggressively paying down existing debt
9. Focusing on increasing capital from operating contribution as debt retires
10. Need infill vacant lots to generate new revenue from existing infrastructure (without adding new expense or expanding infrastructure)
11. Looking for and actively pursuing revenue opportunities
12. In 2023 complete the long-term financial plan for the Utility, work underway in 2022/23





SAINT JOHN



2023 East & West Saint John Industrial Water Rates

Finance Committee Meeting

November 3, 2022

Background Industrial Water Rates



Full separation of the potable and industrial water supply was achieved with the completion of the Safe, Clean Drinking Water Project.

Background Industrial Water Rates

In 2019 Hemson Consulting Ltd. completed a raw water rate analysis for:

1. Irving Oil Ltd. & Irving Paper on the **East Saint John Industrial Water System**
2. Irving Pulp & Paper and the NB Power Generating Station (Coleson Cove) on the **West Saint John Industrial Water System**

Background Industrial Water Rates

Industrial raw water rates are set by Common Council via by-law for each of the following:

1. East Industrial Raw Water Rate specific to Irving Oil Ltd.
2. East Industrial Raw Water Rate specific to Irving Paper
3. West Industrial Raw Water Rate specific to Irving Pulp & Paper
4. West Industrial Raw Water Rate specific to NB Power

Background Industrial Water Rates

Since 2020 all industrial raw water customers have been billed the full cost of delivering raw water via by-law rates set by Common Council.

By-law rates are updated annually through Common Council.

Industrial Raw Water By-law rates include the following:

1. Operational Cost to provide the service,
2. Contributions to asset replacement/asset management,
3. Rate stabilization reserves,
4. New debt associated with the industrial system delivering the service, and
5. Previous debt associated with being a member of the water distribution system.

Rate Setting Approach

Saint John Water 2023 Water & Sewerage Operating Budget

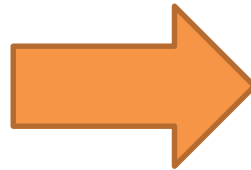


	2023 Budget \$	2022 Budget \$
Revenues		
Industrial Raw Water Accounts	6,983,657	6,347,859
Previous Year's Surplus	364,794	168,616
Total Revenues	7,348,451	6,516,475
Expenditures		
Industrial Raw Water Service	7,348,451	6,516,475
Total Expenditures	7,348,451	6,516,475
Surplus (Deficit)	-	-

Calculated Rates for 2023 compared to 2022 Rates East Industrial System

Irving Oil Ltd.

Current 2022 raw water by-law
rate \$0.2755/m³



Calculated 2023 raw water by-law
rate \$0.2834/m³

Irving Paper (Flume)

Current 2022 raw water by-law
rate \$0.0677/m³

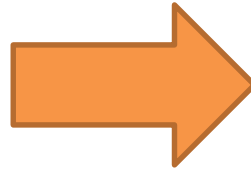


Calculated 2023 raw water by-law
rate \$0.0896/m³

Calculated Rates for 2023 compared to 2022 Rates West Industrial System

Irving Pulp & Paper

Current 2022 raw water by-law
rate \$0.0704/m³



Calculated 2023 raw water by-law
rate \$0.0816/m³

NB Power (Coleson Cove)

Current 2022 raw water by-law
rate \$0.7145/m³



Calculated 2023 raw water by-law
rate \$0.9199/m³

2023 Utility Fund Budget

Conclusion

- The Utility has continued to be aggressive in cutting costs, finding efficiencies and managing assets over the last 5 years.
- The cost cutting measures such as staff reduction, efficiency gains and optimization of operations has allowed for residential and commercial rates to be stabilized over the last 5 years.
- Utility faces risk around trying to balance revenue declines and increasing costs for goods and services with continued cost cutting measures without impacting the level of service.
- Revenue growth (through infills) and new commercial businesses is critical for the sustainability of rate stabilization.

2023 Utility Fund Budget Conclusion



Recommendation

“Finance Committee approve the proposed 2023 Utility Fund Operating Budget and forward to the next meeting of Common Council for approval and first and second reading of the Water and Sewerage Bylaw amendments”