



**City of Saint John
Common Council Special Meeting
AGENDA**

Thursday, July 11, 2019

6:00 p.m.

8th Floor Common Council Chamber (Ludlow Room), City Hall

Pages

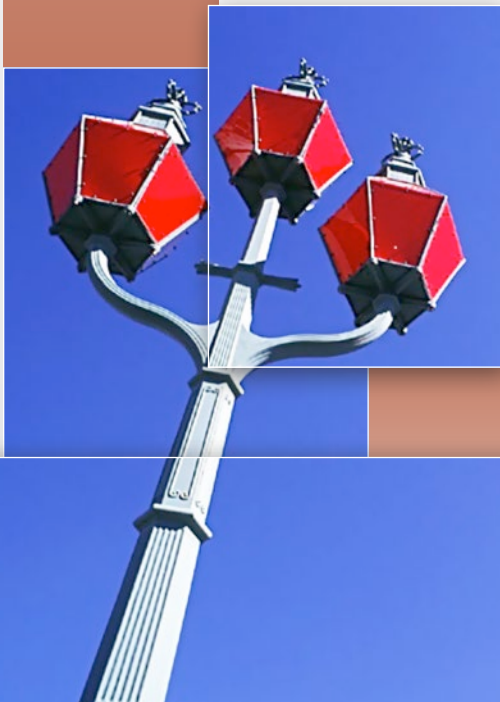
1. Call to Order

1.1 Sustaining Saint John: A Three-Part Plan

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Sustaining Saint John

A Three-Part Plan
July 2019



New Brunswick
Nouveau

SAINT JOHN

**Sustaining Saint John
A Three-Part Plan**

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Introduction

This document outlines a Three-Part Plan to support short and longer-term financial self-sustainability by the City of Saint John.

It reflects extensive and collaborative work between provincial and city officials, and recognizes that many of the actions identified will require, and be strengthened by, the engagement of and partnership with regional communities, city employees, labour groups, and other community interests.

Apart from the specific actions and initiatives in the plan, the city will benefit from a culture of smart, steady optimism.

The Three-Part Plan reaches beyond the City of Saint John with some actions impacting all or some local governments, while other actions will have province-wide impact.

Background: A Sustainability Crisis

As Canada's oldest incorporated city, Saint John is currently facing a number of compounding factors that threaten its immediate and future sustainability. In fact, it can be argued that the city is currently in the centre of a 'perfect storm', created by a series of inter-connected challenges.

These challenges not only affect residents and businesses, but also have consequences for the Greater Saint John region and the province as a whole. As a key provincial economic hub, the city's capacity to maintain or grow its economic contribution is currently limited. The economic health of Saint John affects the economic health of the entire province.

Saint John and its impact on the provincial economy

- **Provincial GDP:** The city and surrounding area generates between **20 and 25% of provincial GDP**.
- **Industrial Base:** The city is home to New Brunswick's primary industrial base, including Canada's largest oil refinery which was responsible for \$7.6 billion in merchandise exports or nearly **60% of New Brunswick's total exports in 2017**.
- **Non-residential construction:** Over the past 10 years **nearly 28% of the province's non-residential construction**, including industrial investments, has occurred in the Saint John region, with the majority of that within the city.
- **The Port:** In addition to petroleum products, a further **30.5 million metric tonnes of cargo travelled through the Port of Saint John in 2017**. The port also plays a key role in tourism, bringing nearly 210,000 cruise ship guests and crew to the city in the past year.
- **Employment Centre:** Within the region, the city is home to **most businesses with over 100 employees**.
- **Regional Hub:** Neighbouring communities depend on Saint John for employment and access to recreation, leisure, and entertainment facilities. It is estimated that more than 15,000 residents from outlying communities commute to Saint John each week day.

Saint John – A Local Profile

- **Population:** The city population represents only **9% of the provincial total**, following noticeable declines from 2012-2016. Out of the 35 Census Metropolitan Areas (CMAs) in Canada, the Saint John region was the only CMA to experience a decline in population in the 2011-16 census.
- **Median Income:** The median household income after tax in the city is \$46,705, compared to \$84,377 in Quispamsis.
- **Poverty:** According to the Canadian Council on Social Development, Saint John is in the top percentile of poverty rates within Canadian Metropolitan Areas, along with Toronto, Vancouver and Montréal. **One in five people in Saint John live in poverty** and the city has a child poverty rate of 30%, double the national average.
- **Municipal Property Tax Rate:** At \$1.785, the city has the **highest municipal tax rate in New Brunswick** as well as the highest water rates.
- **Percentage of income towards water and property taxes:** City residents contribute an average of 8.31% of their incomes to water and taxes, compared to 3% in neighbouring Rothesay.
- **Boundaries:** The city has one of the **largest municipal boundaries** in the province, covering a geographical territory that is greater than Fredericton and Moncton combined.
- **Industrial Base:** While contributing to the provincial and local economies, the city's significant industrial presence also represents health and safety challenges, including emergency response.
- **Home Ownership:** The ownership rate in the city stands at 55.5%, while the remainder of the region has an ownership rate of 90%. Additionally, among housing stock, nearly 10% of structures require major repairs.
- **Commuting Impacts:** The influx of daily commuters to the city places stress on service provision, including infrastructure maintenance.
- **Infrastructure Deficit:** The city currently has an estimated infrastructure **deficit of \$435 million**. Approximately 72% of that pertains to water services with a nearly \$120 million deficit specific to drinking water infrastructure.
- **Debt Load:** A succession of decisions in past decades have resulted in a **debt of over \$230 million**. This means that 11% of the annual municipal operating budget goes toward servicing the debt. (This does not include water utility debt.)
- **Cost of Protection Services:** As with municipalities across Canada, Saint John struggles with the level of increases associated with arbitration affecting wages for fire and police protection in relation to the local government's capacity to pay. **Current annual cost for police and fire wages and benefits is \$43 million, or nearly a third of the city's budget.**
- **Equalization:** The city is the **largest recipient in New Brunswick of equalization funding** under the Community Funding and Equalization Grant, receiving nearly 1/3 of the total grant.

These circumstances didn't occur overnight. Nor will they be resolved in one fell swoop. Instead, they demand a steady and steadfast application of change.

Actions taken by the city to date

- **Staff Reductions:** The city has reduced its workforce by nearly 9% since 2008 for savings of upwards to \$6 million, and by 13% since 2004.
- **Continuous Improvement Initiatives:** A total of \$2.5 million in savings have been identified in continuous improvement initiatives as part of budget planning between 2017 and 2019, including reducing city hall's footprint to four floors from six for substantial savings in rent.
- **Long Term Financial Plan** – This plan guides budgetary and other financial decisions. It is intended to better use existing resources to achieve longer-term savings. The city has also been active in developing strategic plans aimed at increasing population and economic investment, expanding energy growth, and maximizing core development.
- **Goods and Services Spending:** Spending has been cut in five consecutive years to achieve legislatively required balanced budgets. For example, investment in roads has migrated to the general operating fund to reduce borrowing, resulting in reduced expenditure from \$5.3 million to \$1.7 million between 2013-18. This means that while borrowing decreased, so did activity to support road maintenance/development.
- **Energy Conservation:** The city is an energy conservation leader with a 27% energy reduction and \$2.3 million in savings over the past 14 years.
- **Debt Reduction:** The city is aggressively targeting debt reduction as part of its long-term financial plan, which includes a council approved debt policy with debt limits and targets. Based on the 2018 audited financial statements, the city's long-term debt has declined by \$10.3 million, or 4.3% since 2017.
- **Asset Management:** The city has adopted an asset management framework to achieve the lowest life-cycle cost while minimizing impacts on service.
- **Growth Initiatives:** It is a strategic priority for the city to grow its tax, population, and employment base. The city's growth committee is committed to improving growth results guided by the actions in the city's road map to smart growth.

The city has made past efforts to address its challenges, apart from the current sustainability initiative.

Likewise, previous provincial initiatives have also been in play including partnerships in infrastructure investment. Despite efforts at provincial and local levels, the city is still challenged to address an increasingly chronic structural deficit, and to keep pace with critical infrastructure upkeep and renewal. Similarly, while property tax rates have been maintained for over a decade, there have been few feasible means to lower the rates or undertake other measures to enable stability and ultimately growth.

2018 Agreement

In February 2018, the former provincial government established a funding agreement with the City of Saint John. The agreement provided for interim funding, aimed at alleviating the city's immediate-term financial shortfalls. The amounts committed are as follows:

- \$3.5 million in 2018
- \$8.9 million in 2019. (Note: The city anticipates using \$7.1 million of this amount in 2019.)
- \$10.4 million in 2020

Under the agreement the city is required to provide financial status reports to government every six months.

Current Government's Perspective

In December 2018, the current government agreed to meet the contractual obligation of continued interim funding, at the amounts (as required) identified in the original agreement. In confirming this commitment, the government noted three areas of focus which the city should consider as part of its sustainability efforts:

- 1. A consolidation of local and regional economic development/growth strategies with clear actionable steps to achieve outcomes;*
- 2. Continued engagement of industrial and business sectors, with emphasis on determining what if any impediments exist that are prohibitive to investment in Saint John; and*
- 3. Ongoing efforts by the city to reduce or eliminate any non-essential services as part of future budget planning.*

The original agreement also articulated a series of ongoing activities and potential new investments to be carried out by the former government in support of Saint John and the surrounding region. Many of these initiatives and investments had been realized at the time of the 2018 provincial election, or were reflective of the policies of the day. Others, including some capital investments, have been, or are being reviewed by the current provincial government.

The original agreement called for a joint Government of New Brunswick-City of Saint John Working Committee to report on the initiatives in that agreement and to identify ideas supporting sustainability. However, the current government tasked the committee with a revised mandate of identifying concrete actions under **Five Key Action Areas**:

- I. Address the City's Structural Challenges**
- II. Reframe Local Government Property Taxation**
- III. Support Growth and Density**
- IV. Pursue New Revenue Streams**
- V. Improve Policies, Processes, and Practices**

Three-Part Plan

A three-part plan was developed aimed at enabling the City of Saint John to become self-sustaining and move away from reliance on provincial financial assistance.

- PART 1: Implement 20 Actions, devised by a joint Working Committee of Government of New Brunswick and City of Saint John officials.**
- PART 2: Establish a Regional Management Task Force to identify and agree on arrangements for shared service delivery and shared use of services within the region, and achieve equitable cost-sharing by March 31, 2020. The Task Force will be composed of Saint John region mayors and Local Service District representation.**
- PART 3: Re-assessment by the provincial government of the city's operational status in May 2020, to determine what, if any, further response is required.**

Part 1: 20 Actions Developed by the Working Committee

Working Committee

The committee, comprised of representation from the Government of New Brunswick and the City of Saint John, met regularly beginning in April 2018. Its findings, arrived at by collaborative efforts between provincial and local government staff, make up Part 1 of the Three-Part Plan.

This initiative was championed within the provincial government by the Executive Council Office, and involved the following GNB departments and agencies:

- Energy and Resource Development
- Environment and Local Government
- Finance
- Opportunities NB
- Post-Secondary Education, Training and Labour
- Regional Development Corporation
- Tourism, Culture and Heritage

Under the leadership of the City Manager's Office, the city has also benefited from involvement by its departments, including:

- Finance and Administrative Services
- Growth and Community Development Services
- Strategy, Continuous Improvement, and Performance Reporting

The overarching objectives of the committee were:

1. *To identify annual revenue and savings to support immediate-term stability in operations by the city, and*
2. *To identify measures which will enable longer-term growth and sustainability.*

Starting with a wide-ranging list, a series of potential actions were identified and ranked by the following key criteria:

- Sustainability Impact
- Impact on Public/Stakeholders
- Cost to Implement
- Time to implement

Additionally, a broad range of factors were weighed to augment the rankings. For example, timing of an action might be affected by the need for new or amended legislation or by-laws; or impacts to the public or stakeholders could influence the degree of difficulty or promise associated with any one action.

Actions

Some of the challenges facing Saint John are not unique to the city. In fact, local governments around the province have been asking for action on several issues, particularly around municipal property tax reform. As a result, some of the 20 actions reach beyond the city with implications for other communities, including province-wide application to all local governments in some cases. This broader reach is noted for each applicable action.

Some localized actions would require rigorous shepherding by the City of Saint John. Others would necessitate stewardship by the province. In other instances, relationships would be key, including among communities in the region, and through private sector involvement.

The revenue and/or savings associated with some actions are identified as TBD – to be determined. They require further work before more specific amounts can be determined. These initiatives have been included based on their potential to support sustainability. In other instances, the extent of savings or revenue realized would depend on uptake by local governments once enabling legislation is in place.

Presented on the following pages are 20 Actions categorized under five key Action Areas. Many would require some degree of appropriate engagement, including with labour and other organizations, other communities, the private sector, and citizens. Engagement and consultative activities will be determined as part of an overall implementation plan.

Action Area I. Address the City's Structural Challenges

1) Collective Agreements

Action: The city will address those aspects of the collective agreements that are not sustainable in the current fiscal climate. This includes pay escalation and/or various restrictive clauses.

Rationale: Historical City of Saint John collective agreements have led to provisions which are no longer fiscally and operationally sustainable, including the requirement to retain fixed number of employees and staffing levels regardless of work demand, restrictions on out-sourcing and significant pay raises. Future collective agreements would require much greater flexibility to address long-term sustainability.

Impact: Savings TBD

Timing: Short/Longer-term (commensurate with expiration of collective agreements, beginning in 2019).

2) Special Pension Payments

Action: The city will engage expertise to determine options for decreasing annual payment costs while maintaining the sum-total commitment to its pension plan.

Rationale: The city's pension plan was converted to a form of the shared risk model in December 2012 when the local government and its four unions, representing police, firefighter, inside and outside workers, under the oversight of the province's pension superintendent, all signed an Memorandum of Understanding. While Saint John is committed to ensuring pension solvency, the city's current shared risk pension plan arrangements require supporting special (top-up) funding of \$10.1 million annually to 2028 to meet a pension shortfall. This expenditure places a significant burden on the annual operating budget. Adjustments could potentially be made to lessen this annual burden while still meeting pension obligations over the longer-term. Engagement of representatives of pension members and the provincial superintendent of pensions would be a key aspect in finding an amenable solution.

Impact: Potential reduction of budget pressures in the short term.

Timing: Short-term (Within 2019)

3) City Boundaries

Action: The Government of New Brunswick will work with the city to determine whether a reduced territorial boundary would yield cost-savings.

Rationale: Saint John has the largest boundary among cities in New Brunswick. Population in the city core has been in decline and this combined with sparse population in outlying areas places significant stress on its capacity for service delivery. An examination would determine whether changing the city's boundaries would produce savings after factoring in a tax base loss.

Impact: Savings TBD

Timing: Longer-term (By 2022)

4) Binding Arbitration Reform - Police and Fire Services

Applies to local governments where relevant, including Saint John

Action: The Government of New Brunswick will invite local government and union representation to develop a proposal for binding arbitration reform. Government will determine any next steps following the work of the committee.

Rationale: While police and fire services are both critical and valued, current legislation mandates 'interest arbitration' resulting in unsustainable wage escalation trends. For example, firefighter wages in Saint John have increased by 72% over the past 15 years and police wages by 67%, while the Consumer Price Index (CPI) has increased by 27.5% during the same period. Current protective services wages and benefits comprise nearly a third of the city's budget.

By addressing the arbitration process, local governments can ensure these essential public services are sustained over the longer term.

Impact: Savings would depend on the outcome of the committee's work and any future arbiter rulings.

Timing: Short-term (Within 2019). Potential savings as of 2020.

Action Area II. Reframe Municipal Property Taxation

1) Tax Exemption - local government transit facilities

Action: The province will introduce legislative amendments to exempt local government transit facilities from the provincial portion of property tax.

Rationale: Exempting these facilities for affected local governments (Saint John, Moncton and Fredericton) will reduce operational costs and assist in promoting public transportation as a low-cost and environmentally-friendly alternative.

Impact: \$306,000 in savings per year for the City of Saint John

Timing: Short-term (within 2019). Revenue as of 2020.

2) Municipal Property Tax Reform

Applies to local governments where relevant, including Saint John

Action: The province will lead a comprehensive review of current local government property tax policy as well as any new property tax-related tools which would benefit local governments.

Rationale: While there have been various tweaks in past years, and a number of focussed studies, there have been no significant changes to local government property taxation in decades. A review will determine where changes to approach and application of local government property taxation could be made to benefit local governments, without compromising provincial fiscal management goals.

Impact: Revenue/savings *TBD*

Timing: Longer-term (by 2022)

Action Item III. Support Growth and Density

1) Population Growth

Action: The province, in partnership with the Atlantic Canada Opportunities Agency (ACOA), will support the city's Population Growth Framework by accelerating a pilot project to attract 500 new residents to fill

vacant employee positions.

Rationale: With both the population decline in the city, and a shrinking workforce, local employers are finding it increasingly difficult to fill vacant positions. The pilot would place extra focus on the successful implementation of the City of Saint John's Population Growth Framework and its targets. Attracting 500 primary economic immigrant applicants (and their accompanying families) to fill vacant positions that cannot be filled locally will help grow both the workforce and Saint John's overall population.

Impact: An estimated \$600,000 per year in revenue

Timing: Short-term (within 2019). Revenue as of 2020.

2) Saint John Energy

Applies to local governments where relevant, including Saint John

Action: The city will conduct an independent business valuation of Saint John Energy's Growth Agenda.

Rationale: The city owns Saint John Energy, but apart from a favourable energy rate does not benefit financially from owning this asset. The Growth Agenda identifies a series of energy-related products and services which would generate income for the utility. The objective would be to flow profits from these activities to the city. This would require legislative amendments to enable dividends from any of New Brunswick's three local government energy utilities to go to the local governments which own them.

Government recognizes that any decision concerning Saint John Energy rests with Common Council given the city's ownership of the utility. The Growth Agenda, which is favoured by the city, may require incremental private and public sector partnering, and funding opportunities on a case-by-case basis.

A valuation of the Growth Agenda would need to include any implications for NB Power, private sector interests, as well as rate and tax payers. It would also identify regional and local economic benefits. The Government of New Brunswick would contribute to the terms of reference for the valuation. As part of this exercise, a business valuation would also assess the current value of the utility for comparative purposes. This would ensure informed decision-making by council and would also serve to inform Saint John's Long Term Financial Plan in terms of anticipated investment, revenue and any risks.

Impact: \$17 million (modest) - \$48 million (aggressive) revenue cumulatively by 2029 (revenue flow begins in 2020) to Saint John.

Timing: **Short-term** Present valuation of growth within 2019; any subsequent enabling provisions in legislation within 2020. Revenue flow immediately following any legislative amendments.

Action Item IV. Pursue New Revenue Streams

1) Regional Facilities - Capital and operating costs

Action: The Government of New Brunswick will introduce legislation to add capital costs to participating local governments and capital and operating costs to area Local Service Districts (LSDs).

Rationale: The *Greater Saint John Regional Facilities Commission Act* allows for capital costs, but they are not currently included in the agreement among local governments. This means that capital costs fall exclusively to the City of Saint John to shoulder. Local Service District residents also have access to and enjoy use of the facilities covered under the Act, but do not contribute to operating or upkeep costs. This action would result in more equitably-distributed contributions and would generate revenue to reduce the city's expenditure.

Impact: \$632,000 in revenue per year to the City of Saint John

Timing: Short-term (within 2019). Revenue as of 2020

2) Accommodation Levy

Applies to local governments where relevant, including Saint John

Action: The province has passed legislation to establish a mandatory levy for accommodations, enabling local governments to establish by-laws to set rates and receive and administer the proceeds for tourism purposes.

Rationale: Local governments are seeking additional revenue streams to support service delivery, including tourism efforts which support local growth. The previous levy was voluntary and the way in which revenue flowed to local governments and tourism groups across the province varied.

Impact: Based on current occupancy, an estimated \$1.4+ million in revenue per year to the City of Saint John. (Note: The current voluntary levy yields approximately \$1 million).

Timing: Short-term (By 2020)

3) Regional Service Commissions

Applies to all local governments including Saint John

Action: The province will undertake a review of the Regional Service Commissions (RSCs) model to find improvements in regional service delivery.

Rationale: Current legislation governing the RSCs inadvertently creates some barriers to improved service sharing, including the voluntary nature of participation. The objective would be to improve service, reduce operational costs, examine the governance structure, and address participation requirements. Borrowing from what has worked well in other regions of the province and elsewhere in Canada, a review would seek to enhance the current model.

Impact: Revenue / Savings TBD

Timing: Longer-term (by 2022)

Action Item V. Improve Policies, Processes and Practices

1) Operating Budget Initiatives

Action: The city will reduce expenses and/or increase revenue (independent of the other actions). The full range of services to be included in this review include but are not limited to:

- Administration, staff and travel costs
- Wage considerations
- Contracted professionals
- City vehicle fleet
- Funding for destination marketing, economic development, etc.
- Service adjustments
- Parking
- Community grants; and
- Potential application of user fees for recreation, waste management, etc.

Rationale: The City of Saint John recognizes that it must complete a wide range of initiatives to address its sustainability challenges, including process improvements in local government service delivery and corporate administration.

Impact: \$3 million in revenue and/or savings per year.

Timing: Short Term (by 2020)

2) Organisational Structure Change

Action: The city will conduct a complete analysis of its current structure to identify any possible re-organization or re-alignment that would lead to a more efficient and effective business model. A review of its agencies, boards and commissions will be part of this examination.

Rationale: Without alignment, the best strategic plan will never be fully achieved because organizational alignment is essential for strategy execution and achievement of better financial and operational performance results.

Impact: Immediate cost savings to be determined, and a significant impact on the city's potential to improve its long-term sustainability.

Timing: Short term. Restructuring plan will be completed by the end of 2019.

3) Continuous Improvement Framework

Action: The city will formally adopt a continuous improvement framework. The associated policy would serve to fully embed a culture of continuous improvement in the city's administration, focused on service improvement, employee engagement, and operational efficiencies.

Rationale: The city's current continuous improvement program has been paramount in its efforts to improve service delivery while at the same time reducing costs. Since the program was launched in May of 2016 with the support of the province's Performance Excellence Team, the city has achieved approximately \$1.8 million in hard savings. Additional work is planned to reduce operating costs to meet the \$2.5 million target in cumulative annual savings by the end of this year. Building on this success and embracing a culture within a formal framework will set the city up for success in the future.

Impact: TBD. Continuous improvement would positively affect the quality of services provided and reduce associated costs and/or generate revenue.

Timing: Short term. The Continuous Improvement Framework and Policy would be approved by the end of 2019.

4) Operational Audit

Action: An independent firm will undertake a review of current operational approaches with the aim of assisting the city to identify savings and revenue opportunities and to strengthen its approach to management going forward. The auditing firm, whose findings will be provided to the city and the province by March 31, 2020, will be engaged and paid for by the provincial government. The two levels of government will collaborate to ensure that the scope of the work yields results.

Impact: Revenue/savings to be determined.

Timing: By March 31, 2020

5) Review of Economic Development Framework

Action: The city will streamline local economic development activities. This will include developing one fully-integrated work plan, establishing clear mandates and well-defined performance targets. This work will also consider alternative economic development governance models.

Rationale: Tax Base Growth is a top priority for the city. Over the last six years tax base growth has averaged less than 1%. For Saint John to be sustainable, concerted, strategic and deliberate efforts need to be made to grow the tax base of the city.

Impact: This, combined with the city's other growth initiatives, should achieve a reasonable annual

growth target of 2%, with an aspirational growth target of 3-4%.

Timing: Short term. The new economic development framework, with its associated governance model will be in place by January 1, 2020.

6) Facilitating Growth through Collaboration

Action: The city will work with industry and other private sector interests to identify new and innovative approaches that would facilitate development and support long-term sustainability of the local government. A specific focus will be accelerating growth.

Rationale: The private sector, including industry, is the engine that makes the Saint John economy move. For the city to grow its population, jobs and tax base, it must play a more defined role in collaboration and facilitation with developers, contractors and building consultants. Accelerating growth is critical for the city's sustainability.

Impact: This, combined with the city's other growth initiatives, should achieve a reasonable annual growth target of 2%, with an aspirational growth target of 3-4%.

Timing: Short term. Deliberations have already started and actions will begin to be implemented in the second quarter of 2019.

7) Long-Term Financial Plan

Action: The city will complete a City of Saint John Long Term Financial Plan, which includes a 10-year Operating and Capital Plan.

Rationale: The Long Term Financial Plan is essential in becoming a financially sustainable city that can meet the present and future economic, social and environmental needs of its citizens without compromising the ability of future generations to meet their own needs. This means the city can provide affordable, reliable and consistent levels of service over the long term; can absorb financial shocks caused by economic or natural adversities without external financial assistance (resiliency); is able to pay for its services (full costs - operating as well as capital costs) from its own sources of revenues; and does not shift tax and debt burden to future generations by deferring capital costs or borrowing excessively.

Impact: Implementation of the city's Long Term Financial Plan will eliminate the structural deficit, fund sustainable service levels, and stabilize and/or reduce the tax burden to the community.

Timing: Short Term. The plan, with its associated sub-plans and policies, will be completed by the fourth quarter of 2019, and include 10-year targets.

8) Debt Management Plan and Wage Escalation Policy

Action: The city will adopt a Debt Management Plan, with debt reduction targets and associated debt policy, and a wage escalation policy.

Rationale: These actions will help address the ever-growing gap between costs and revenues (the "structural deficit") and are vital elements of the overall Long-Term Financial Plan. The Debt Management Plan establishes objectives, guidelines, targets and appropriate controls for the use and issuance of debt for the city. The Debt Management Plan will ensure: that the city obtains long-term debt only when necessary (balancing financing needs with taxpayer affordability); that debt is managed such that future financial flexibility is maintained; and that debt is strategically obtained based on sound long-term financial planning and targets. The wage escalation policy will ensure that future salary increases are affordable based on tax-based growth and other revenue streams.

Impact: The city's target is to reduce the General Fund (taxpayer funded) Long Term Debt by 25% over the next 10 years. The city's target for wage escalation is to ensure that salary increases do not outpace revenues unless there is a compelling business case to do so.

Timing: Short term. Plans/policies in place by end 2019.

9) Asset Management

Action: Phase 2 of the City's Asset Management Plan will be completed to enable prioritization of capital investments and informed response to the city's infrastructure deficit. The city will also explore any opportunities to divest assets to address the infrastructure deficit and create operational efficiencies.

Rationale: To make good decisions you need good data, particularly when you have limited financial resources. Asset management will: allow the city to make evidence-based decisions that limit the risk of service disruptions to taxpayers; provide a framework to prioritize capital investment based on condition and risk assessments; allow the city to rationalize its infrastructure; and reduce maintenance costs by ensuring proper reinvestment in lifecycle costs.

Impact: The Finance Committee, in open session, directed staff to build a long term financial plan that sees the city's infrastructure deficit reduced by 25% over the next 10 years. This asset management work will help inform the necessary decisions to achieve this target.

Timing: Short term. Phase 2 of the plan will be completed by the fourth quarter of 2019.

The **20 actions in Part 1 of this plan**, are expected to yield modest revenue or savings for the city beginning in 2020, with more substantive returns in 2023 and beyond.

In the interim, the city has identified operational stresses for the years 2021 and 2022. To address this anticipated scenario, the city requested that the province support a 'bridging strategy' through direct or indirect financial support.

Part 2 of the plan corresponds to one of the ideas put forward for a bridging strategy – that of a regional service cost-sharing arrangement, brokered by regional leaders with support from the province.

Part 2: Regional Management Task Force

The Saint John region is a key contributor to the provincial economy. However, the communities that make up the region have had a historical tendency to operate in silos. This can mean duplicative services and costs, use of services without obligation to fund those services, and missed opportunities for economic growth

Communities in the region are a collective, and are inter-dependent economically and in terms of social well-being. Apart from the commitment under Part 1 to review the Regional Service Commission (RSC) model, there are regional issues outside the RSC structure which can, and need to be addressed.

The local governments involved - Grand Bay-Westfield, Saint John, Quispamsis, Rothesay, Hampton and St. Martins, as well as area Local Service Districts have as a common objective - the growth and well-being of their respective communities. This is a foundation for the work that needs to be done collaboratively.

The Regional Management Task Force will be tasked with the following mandate:

To identify and agree on arrangements for shared service delivery and shared use of services within the region; and to achieve associated equitable cost-sharing.

By March 31, 2020, the task force will be required to submit a signed agreement, approved by the respective local government councils and the Minister of Environment and Local Government for the LSDs.

The content and extent of the agreement will be up to regional leadership. No savings or revenue targets have been pre-established, but the expectation is that the outcome does benefit the region including the

City of Saint John, while ensuring fairness among communities within the region.

The task force will be guided in its work by an established Terms of Reference and by an accounting consultant, hired by the Government of New Brunswick. The province will also provide oversight and advisory support.

Beyond the requirement for an agreement, the Regional Management Task Force should be considered a forum for collaborative regional planning and priority-setting, and will be encouraged to identify other areas of common interest for future consideration.

The province is confident that the combination of the 20 actions and the results produced by the Regional Management Task Force will yield sufficient savings and revenue to address the city's short and long-term challenges. Government has committed to re-assessing this status in 2020.

Part 3: Provincial Government Commitment to Re-Assess the City's Operational Status

In May 2020, once government officials have reviewed the the status-to-date on the 20 actions and the outcomes from the Regional Management Task Force, the government has committed to re-assessing the city's financial status.

In making this commitment, the government does not want to discourage the diligent efforts of regional leaders and the City of Saint John from making every gain possible to benefit the city and the region as a whole. At this time, no additional provincial funding has been identified. Instead, government will re-assess the situation and determine whether any further action is required, including any further policy, operational, or financial measures.

The timing of government's decision-making in May 2020 will allow for pre-budget planning by the city in advance of the new municipal fiscal year of January 1, 2021.

In Summary

Work can begin immediately on many of the actions identified. Measures to track success in implementing the actions outlined in this plan will be established as part of an implementation plan to ensure progress and accountability.

While the government is fully supportive of working to assist the city to chart a new sustainable future, it is not able to do so through untenable continued expenditures, given its own fiscal challenges and goals. In turn, city leadership have publicly committed to working through the tough decisions and challenging operational considerations necessary to enable recovery and regrowth.

In charting a new course forward, the opportunity exists to galvanize employees, businesses, and citizens, as well as regional neighbours to work together to support the city and the Greater Saint John region.

Saint John has a proud and resilient history. With strategic direction, and the necessary commitment and hard work, that legacy can be realized and sustained into the future.