



City of Saint John
Finance Committee - Open Session
AGENDA

Thursday, July 23, 2020

4:30 pm

Meeting Conducted by Electronic Participation

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1. Call to Order	
2. Approval of Minutes	
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3. Consent Agenda	
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The City of Saint John

MINUTES – OPEN SESSION FINANCE COMMITTEE MEETING
MAY 14, 2020 AT 4:30 PM
MEETING CONDUCTED BY ELECTRONIC PARTICIPATION

Present: Mayor D. Darling
Councilor D. Merrithew
Councilor S. Casey
Councilor D. Reardon
Councilor G. Sullivan
Councilor G. Norton

Also

Present: City Manager J. Collin
Commissioner of Finance and Treasurer K. Fudge
Director of Strategic Affairs I. Fogan
Comptroller Finance C. Graham
City Solicitor J. Nugent
Fire Chief K. Clifford
Commissioner Saint John Water B. McGovern
Commissioner Growth & Community Development J. Hamilton
Commissioner Transportation & Environment Services M. Hugenholtz
Senior Financial Manager D. Arbour
Senior Financial Manager C. Lavigne
Fire Chief K. Clifford
General Manager Saint John Transit M. Dionne
Energy Manager S. Yammine
Director Corporate Performance S. Rackley-Roach
Administrative Assistant K. Tibbits

1. Meeting Called To Order

Councilor Merrithew called the Finance Committee open session meeting to order.

1.1 Approval of Minutes

1.1.1 Minutes of January 22, 2020

Moved by Councillor Reardon, seconded by Councillor Sullivan:
RESOLVED that the minutes of January 22, 2020 be approved.

MOTION CARRIED.

1.1.2 Minutes of April 15, 2020

Moved by Councillor Reardon, seconded by Mayor Darling:
RESOLVED that the minutes of April 15, 2020 be approved.

MOTION CARRIED.

1.2 Introduction to the Importance of 10 Year Corporate Strategic Plan

Mr. Fogan reviewed the submitted presentation regarding the 10-year Corporate Strategic Plan. The strategic plan will guide decisions and policy development for the City of Saint John and support other plans currently in place. Public consultation and stakeholder engagements will be part of the development of the Corporate Strategic plan.

Mr. Collin noted that the strategic plan is a living document and will require support from the current council and subsequent councils. This is a long-term vision and strategy document and will require both human and financial resources to be successful.

Moved by Mayor Darling, seconded by Councillor Sullivan:

RESOLVED that the presentation entitled "Strategic Planning" be received for information.

MOTION CARRIED.

1.3 City Market Tower Interior Renovations Second Floor and Fit-Up

Mr. Yammine, Energy Manager, explained that original plans for the City Market renovation did not include renovations to the second floor due to capital budget limitations. In March 2020, the City received confirmation of grant funding from NB Power resulting from the implementation of energy measures. The City is now interested in completing the interior renovation and fit-up of the second floor at the City Market Tower. Upon completion, the entire building will be fully utilized. The proposed scope of work consists of interior renovations, supply and installation of a high efficiency heating and cooling system, and supply and installation of new lighting.

Moved by Councillor Reardon, seconded by Councillor Sullivan:

RESOLVED that the Finance Committee recommend to Common Council that the change order submitted by Eclipse Construction Services Ltd., for the City Market Tower Interior Renovations Second Floor and Fit-Up, in the amount of \$324,843.49 plus HST be accepted. Further to the base quote amount, it is recommended that a contingency allowance be carried for this project in the amount of \$10,000 plus HST, for a total project cost of \$334,843.49 plus HST.

MOTION CARRIED.

1.4 Budget Monitoring Policy

Mr. Fudge noted that a Budget Monitoring Policy is a best practice financial policy to help the city remain on a sustainable path going forward. The policy will reinforce accountability in budget management practices, guide cost control measures, and increase the accuracy of the budget process. It is a tool to increase reserve funding and accelerate debt reduction, changing how budgets are managed.

Wages and benefits and goods and services will be managed as separate budget envelopes. It will provide more transparency to the budget process and increase the performance of the operating budget. Service areas will not have the authority to fund unplanned initiatives from surpluses in their budget. Unplanned initiatives will require authorization from Council through a reserve fund process to allow the organization to consider all service needs and long-term objectives. Fundamental to this policy is the recognition that wage and benefit surpluses were never intended to subsidize the goods and services budget. The Budget Monitoring Policy will take effect January 1, 2021.

Moved by Councillor Reardon, seconded by Councillor Sullivan:

RESOLVED that the Finance Committee approves the draft Operating Budget Allocation Policy and recommends that Common Council approve the Operating Budget Allocation Policy as presented by staff.

MOTION CARRIED.

1.5 Capital Budget and Long Term Debt Update

Mr. Lavigne reviewed the submitted presentation entitled 2019 Capital Budget Report General Fund/Utility Fund and commented on the City's progress related to debt reduction. Both funds have a positive variance. The positive variances as well as additional pay as you go will reduce the amount to be borrowed.

Moved by Councillor Reardon, seconded by Mayor Darling:

RESOLVED that the 2019 Capital Budget Analysis report be received for information.

MOTION CARRIED.

1.6 COVID-19 Update

Ms. Arbour provided an update on the financial impact to the General Fund as a result of COVID-19. There has been significant negative impact to the economy which will cause further financial pressure on the City in terms of a potential reduction in the tax assessment base and an increased structural deficit. The loss in revenue to the General Fund in 2020 is estimated to be \$5M; this does not take into account drastic steps back in the recovery process. To compensate for the anticipated loss of revenue, the City has put a mitigation plan in place.

Mr. Fudge noted that communities have been hit very hard economically due to COVID-19 and to date the federal government has not announced stimulus funds for municipalities. The City is very vulnerable to tax base growth and the unconditional grant, as 90% of the City's revenue comes from these two sources. A 1.5% tax base growth has been used as an assumption in the City's forecasting for structural deficit purposes; if that number erodes to zero it would equate to an approximate \$1.8M loss.

Moved by Councillor Reardon, seconded by Mayor Darling:

RESOLVED that the General Fund COVID-19 Financial Impact Update be received for information.

MOTION CARRIED.

1.7 Saint John Transit Request for Funding

Mr. Dionne noted that COVID-19 has had a significant financial impact on transit including a suspension of fares (since reinstated), as well as a nine passenger limit on buses. The operating budget has been reduced by 25% through staff layoffs, service reductions and reduced fuel consumption. Plexiglas shields have been installed on buses to provide greater safety to drivers and to enable the resumption of fares.

Mr. Fudge noted that municipalities across the country are facing financial pressures on their transit services and a loss of revenue. At the end of April, Saint John transit was in a deficit position of \$378K. With the current mandatory restrictions of nine riders per bus, transit is bringing in about 25% of their normal monthly revenue and is expected to run out of cash in July under the current conditions. Given the uncertainty, staff is recommending that Council provide the Saint John Transit Commission its July operating subsidy in early June in order to have sufficient cash to continue its operations.

Mr. Collin stated that the City has requested that the Province allow municipalities to increase the number of people permitted to ride the bus. Even then, there is no guarantee that ridership will return to normal forecasted levels. Mr. Collin discussed the importance of the transit service to remain on a reduced service level to reduce cost by a minimum of 25%.

In response to a question, Mr. Dionne noted that the Transit Commission has not discussed raising rates, noting that the Commission is undergoing a review and rates could form part of those recommendations. In terms of service reductions, an evaluation of routes has been conducted which includes a reduction of service hours from 97K to 71K.

Moved by Councillor Reardon, seconded by Councillor Sullivan:

RESOLVED that the Finance Committee make the following recommendation to Common Council:

- Direct the Commissioner of Finance to advance the Saint John Transit Commission the budgeted July operating subsidy of \$491,323 early in June to ensure there is sufficient cash flow to operate;
- That the Council Resolution (20 April 2020) to reduce transit costs by 25% remain in effect for the remainder of 2020 and be subject to review as the situation develops in the coming months;
- The City and the Commission continue to advocate to the provincial and federal governments for funding relief for public transit;
- Request that an updated presentation be brought forward to the Finance Committee in early July with updated year-end projections and any additional mitigation recommendations that may need to be made to Council.

MOTION CARRIED.

Adjournment

The Finance Committee open session meeting held on May 14, 2020 was adjourned at 6:30 p.m.

FINANCE COMMITTEE REPORT

Report Date	July 16, 2020
Meeting Date	July 23, 2020

Chairman Councillor Merrithew and Members of Finance Committee

SUBJECT: Service Level Agreement – Saint John Board of Police Commissioners

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>Kevin Fudge</i>	<i>John Collin</i>

RECOMMENDATION

It is recommended that this report be received and filed.

EXECUTIVE SUMMARY

The purpose of this report is to provide the Finance Committee with an overview of the City's finance department providing financial services to the Saint John Board of Police Commissioners and formalizing this service through a service level agreement.

PREVIOUS RESOLUTION

N/A

STRATEGIC ALIGNMENT

This report aligns with the 2021 General fund operating budget reductions and moving towards more shared services with the City's Agencies, Boards and Commissions.

REPORT

The Saint John Police Board of Police Commissions has been mandated by Common Council to reduce \$1.3M from the police budget for the years 2021 and 2022. The City expressed a desire to work with the Commission to find solutions

such as shared services as way to lower the impact to services due to the budget reductions.

Staff from the City met with the Chief of Police and other members of the Police's Senior Leadership team to discuss opportunities for shared services. Based on those discussions a draft service level agreement for financial services has been developed between the City and Police.

This agreement will formalize several services such as accounts payable, accounts receivable and payroll functions that the City has been providing for the Police since they became a separate board. The agreement will provide Police with more access to a wider arrangement of financial expertise available in the Finance department with the City.

Highlights of the services that will be provided are;

- Weekly Payroll Processing
- Accounts Payables Processing
- Accounts Receivable – Billings and Collection
- Purchasing and Procurement services
- Providing Monthly Financial Results/Forecasting with input from the “customer”
- Prepare annual operating and capital budgets with direction from the “customer”
- Providing assistance with various ad hoc financial reporting as requested
- Assist in preparing 5 Year Operating and Capital Budgets and Long Term Financial Plan
- Accounting Specialist will report to Senior Finance Manager, City of Saint John
- Representative from City of Saint John to attend board meetings – (11 board meetings and at addition requests from “customer”)
- Representative from City of Saint John to attend Senior Leadership meetings at the request of the “customer”

In conclusion this agreement will allow the Police to meet their reduced 2021 operating budget, while trying to minimize impacts to service delivery and ensuring they still have the financial support needed. This is also another important step in moving the City towards more shared services as indicated as an opportunity in the EY operational review report.

SERVICE AND FINANCIAL OUTCOMES

The service level agreement has been incorporated in the 2021 Police budget reduction of \$1.3M, while trying to reduce impact to their service delivery.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Input was received from staff of both the Finance and Administration team and the Senior Leadership team of the Police.

ATTACHMENTS

Appendix 1 – Draft Service Level Agreement between COSJ and SJPF

Service Level Agreement (SLA)
For Saint John Board of Police Commissioners
by
City of Saint John

Effective Date: 12-06-2020

Document Owner:	City of Saint John
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Version

Version	Date	Description	Author
1.0	12-06-2020	Service Level Agreement	Craig Lavigne

Approval

(By signing below, all Approvers agree to all terms and conditions outlined in this Agreement.)

Approvers	Role	Signed	Approval Date
Saint John Board of Police Commissioners	Customer		
City of Saint John	Service Provider		

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1. Agreement Overview

This Agreement represents a Service Level Agreement (“SLA” or “Agreement”) between the City of Saint John (COSJ) and Saint John Board of Police Commissioners (SJPF) for the provisioning of services required to support and assist in managing the financial operations of the Saint John Board of Police Commissioners.

This Agreement remains valid until superceded by a revised agreement mutually endorsed by the stakeholders.

2. Goals & Objectives

The **purpose** of this Agreement is to ensure that the proper elements and commitments are in place to provide consistent support, management and delivery of service for the Saint John Board of Police Commissioners by the City of Saint John.

The **goal** of this Agreement is to obtain mutual agreement for management services between the Service Provider(s) and Customer(s).

The **objectives** of this Agreement are to:

- Provide clear reference to service, accountability, roles and/or responsibilities.
- Present a clear, concise and measurable description of service provision to the Saint John Board of Police Commissioners.
- Match perceptions of expected service provision with actual service support & delivery.
- Specify provisions for service fees and cost recovery for services provided by the City of Saint John where necessary.

3. Stakeholders

The following Service Provider(s) and Customer(s) will be used as the basis of the Agreement and represent the **primary stakeholders** associated with this SLA:

Financial Services Provider: City of Saint John (“Provider”)

Financial Services Recipient: Saint John Board of Police Commissioners (“Customer”)

The responsibilities of the primary stakeholders, inclusive of the Service Provider and the Customer are outlined in Section 5 of this Agreement, titled Service Agreement.

4. Periodic Review, Amendments and Resolutions of Issues

4.1. Agreement Review

This Agreement is valid from the **Effective Date** outlined herein and is valid until further notice. This Agreement should be reviewed at a minimum once per fiscal year; however, in lieu of a review during any period specified, the current Agreement will remain in effect.

The **Business Relationship Manager** (“Document Owner”) is responsible for facilitating regular reviews of this document. Contents of this document may be amended as required, provided mutual agreement is obtained from the primary stakeholders and communicated to all affected parties. The Document Owner will incorporate all subsequent revisions and obtain mutual agreements / approvals as required.

Business Relationship Manager: City of Saint John

Review Period: TBD

Previous Review Date: N/A

Next Review Date: TBD

4.2. Agreement Amendments

Either party may request changes to this agreement inclusive of Appendices or tables at any time. Amendments will be made by mutual consent of the Service Provider and the Saint John Board of Police Commissioners. Amendments will form part of the Agreement.

4.3. Issues Resolutions

Significant variance from the established guidelines by “COSJ” or “SJPF” will be noted and forwarded to the other party, as they occur, so that immediate resolution may be initiated. In working in a collaborative way to carry out the responsibilities for the primary stakeholders of this Agreement, respectful and good communication will be key in the understanding needs, priorities, and resource requirements involved in addressing issues.

The following escalation process will be followed:

1. Discussion at the management level for both the “COSJ” and “SJPF” to resolve the issues considering priorities, resource availability and cost.
2. Formal documentation of the issue with solutions presented from both “COSJ” and “SJPF”
 - a. Management team members from the City’s Finance Team and the Saint John Police Force will identify areas of agreement and outstanding issues.
 - b. Senior Management members from the City and the Saint John Police Force will evaluate and seek technical support from management team members representing the primary stakeholders to make a decision. These members include the Deputy City Manager of the City of Saint John and the Police Chief or their respective designates as appointed.
 - c. Signoff of the solution by the City Manager and the Police Chief.

5. Service Agreement

The following detailed service parameters are the responsibility of the Service Provider in the ongoing support of this Agreement.

5.1. Service Scope

The following Services are covered by this Agreement;

- Financial Services and Support
- Financial Consultation and Analysis
- Compliance with regulations

5.2. Customer Requirements

Customer responsibilities and/or requirements in support of this Agreement include:

- All purchasing decision are at the direction of the “customer”
- Accurate financial reporting must have input and support of the “customer”
- Annual operating and capital budgets must have input and direction of the “customer”
- Financial policies of the City of Saint John to be adopted by the “customer”

5.3. Service Provider Requirements

Service Provider responsibilities and/or requirements in support of this Agreement include:

- Weekly Payroll Processing
- Accounts Payables Processing
- Accounts Receivable – Billings and Collection
- Purchasing and Procurement services
- Assist in providing monthly financial results/forecasting with input from the “customer”
- Assist in prepare annual operating and capital budgets with direction from the “customer”
- Providing assistance with various ad hoc financial reporting as requested
- Assist in preparing 5 Year Operating and Capital Budgets and Long Term Financial Plan

- Accounting Specialist will report to Senior Finance Manager, City of Saint John
- Representative from City of Saint John to attend board meetings – (11 board meetings and at addition requests from “customer”)
- Representative from City of Saint John to attend Senior Leadership meetings at the request of the “customer”

5.4. Service Assumptions

Assumptions related to in-scope services and/or components include:

- Changes to services will be communicated and documented to all stakeholders.

5.5. Exemptions and Limitations

This SLA is subject to the following exceptions and special conditions:

- “service provider” is **not responsible for financial decisions** made by the “customer”
- The financial results of the Saint John Board of Police Commissioners are the sole responsibility of the “customer”

5.6. Financial Agreement

It is agreed that the “COSJ” will provide these services to the “SJPF” at no additional charge. The value of this service has been built in the \$1.3M reduction of the “SJPF’s” 2021 Operating Budget.

FINANCE COMMITTEE REPORT

Report Date	July 16, 2020
Meeting Date	July 23, 2020

Chairman Councillor Merrithew and Members of Finance Committee

SUBJECT: 2021 General Fund Operating Budget Timelines

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>Kevin Fudge</i>	<i>John Collin</i>

RECOMMENDATION

It is recommended that this report be received and filed.

EXECUTIVE SUMMARY

The purpose of this report is to provide the Finance Committee with an overview of the proposed 2021 General Fund Operating Budget timelines.

PREVIOUS RESOLUTION

N/A

STRATEGIC ALIGNMENT

N/A

REPORT

The purpose of this report is to provide the Finance Committee with an overview of the proposed 2021 General Fund Operating Budget timelines. The 2021 General Fund will be a transformational budget for the City of Saint John. Council has approved approximately a \$10M reduction for the 2021 operating budget compared to the 2020 operating budget.

The 2021 budget will see a significant reduction in the City's workforce, along with a combination of expenditure reductions and new revenue opportunities in

order to meet the \$10M adjustment. The 2021 budget will no longer include additional Provincial Funding as in the past three budgets.

The proposed budget timeline is;

- August 13 - Draft 2021 General Fund Budget to Finance Committee for Approval
- August 17 – Draft 2021 General Fund Budget to Common Council for Receive and File
- August 31 – 2021 General Fund Budget to Common Council for Approval
- November 23 – Final approval based on Provincial Tax Assessments

Staff from Finance and Saint John Water will bring forth a timeline for the 2021 Utility Fund Operating budget at the Finance meeting on August 13th.

SERVICE AND FINANCIAL OUTCOMES

N/A

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

N/A

ATTACHMENTS

N/A



Consolidated Financial Statements 2019

Finance Committee July 23rd, 2020



SAINT JOHN

Introduction

- Deloitte has completed the audit of the Consolidated City of Saint John financial statements, as at December 31, 2019
- Audit opinion of the financial statements is clean: the financial statements present fairly, in all material respects, the financial position of the City in accordance to Canadian public sector account standards (“PSAS”)

Background

The Consolidated Financial Statement include the following entities:

- General Fund Operating Fund
- General Fund Capital Fund
- Water & Sewerage Operating Fund
- Water & Sewerage Capital Fund
- Saint John Trade & Convention Centre
- Saint John Aquatic Centre
- Saint John Parking Commission
- Saint John Transit Commission
- Develop Saint John
- TD Station Commission
- Saint John Energy
- Lord Beaverbrook Rink
- Saint John Free Public Library
- Saint John Police Commission
- Saint John Jeux Canada Games Foundation, Inc.

Method of Accounting

- The consolidation is a very complex process that takes the General Fund numbers:
 - adds in all the other Funds & ABCs
 - Changes the accounting and presentation of the numbers
 - Eliminates the duplication (ie. Revenue that is an expense in another entity)
 - Financial Statement terms are different
 - The City's requirement of a balanced budget is NOT based on these financial statements

Major Accounting Differences

General Fund Financials

- Capital Costs are expensed when incurred
- Principal Repayments are expensed
- Funding relating to capital assets offset the expenditure

VS.

Consolidated Financials

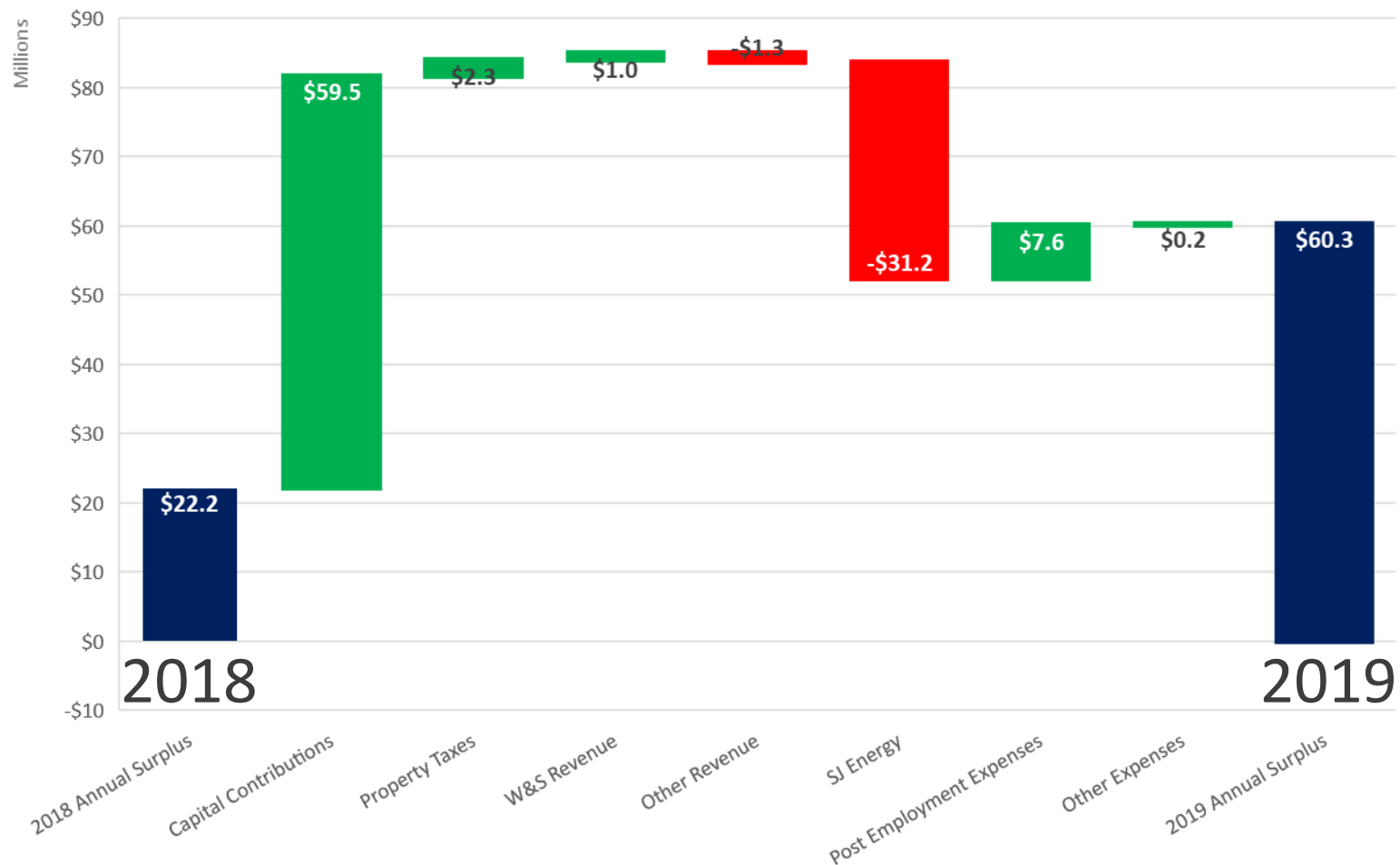
- The total cost of capital asset are expensed over time (amortization)
- Principal Repayments do not hit the statement of operations
- Funding relating to capital assets is included in revenue when it is received

2019 Statement of Operations

City of Saint John Consolidated

	2019	2018
Annual Deficit / Surplus	\$ (8,580,305)	\$ 12,756,063
Government Transfers for Capital Assets	66,720,509	9,279,625
Other Contributed Assets for Capital	2,202,801	157,601
Annual Surplus	60,343,005	22,193,289

Changes in Statement of Operations between 2018 & 2019



2019 Statement of Financial Position Highlights

- Total Net debt has **decreased** by \$65.4 Million compared to increase of \$89 Million in 2018
- Net debt is a key performance indicator of a Municipality's overall financial health. The higher the level of Net Debt the more future revenues will be needed to fund past transactions and events.
- New long-term debt was \$8.8M compared to \$14.6M in 2018
- Repayment of long-term debt in 2019 was \$21.5M compared to \$24.9M in 2018
- Long-Term Debt balance has decreased from \$230.1M in 2018 to \$218.1M in 2019

2019 General Fund Results

- **Deficit** in 2019 of **\$214,971** compared to **\$119,915** in 2018
- Total revenues are up 1.5% (\$2.3M) over 2018 mainly due to the increase in property taxes
- Salaries & Benefits up 0.51% (\$404K) over 2018
- Goods & Services up 4.7% (\$1.66M) over 2018. Notable increases include:
 - Repairs & maintenance – Coast Guard building demolition
 - Asset purchases – Transfers to reserves in relation to the Fire CAER and firefighter training center initiatives
- Grants up 3.8% (\$531K) over 2018 mainly due to the increase to the Transit Commission

2019 Water & Sewer Fund Results

- **Surplus** in 2019 of **\$196,731** compared to **\$51,791** in 2018.
- Total revenues are up 2.7% (\$1.3M) over 2018
- Total expenses are up 1.8% (\$890K) over 2018
- Contributions from Provincial and Federal Governments for Capital Asset purchases related to the SCDW project have increased by \$61.1M in 2019

Recommendation

It is recommended that:

- Finance Committee approves the audited 2019 Consolidated Financial Statements
- Finance Committee approves the 2019 statement of revenue and expenses of the Saint John Trade & Convention Centre
- Finance Committee approves the 2019 City of Saint John Trust Funds financial statements
- Finance Committee recommends that Common Council approve the 2019 Consolidated Financial Statements as presented by staff as well as the TCC statement and Trust Funds financial statement

The City of Saint John

Consolidated Financial Statements

December 31, 2019

The City of Saint John

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Independent Auditor's Report

To His Worship the Mayor and Members of Common Council of
The City of Saint John

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The City of Saint John (the "City"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, and accumulated surplus, change in net debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2019, and the results of its operations, its accumulated surplus, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
Saint John, NB
Date

The City of Saint John

Consolidated Statement of Financial Position As at December 31, 2019

	2019 \$	2018 \$
Financial Assets		
Cash and cash equivalents (Note 4)	86,821,672	54,488,474
Accounts receivable (Notes 5, 6 & 7)	13,566,770	14,928,028
Investment in energy services (Note 8)	40,755,000	50,801,000
Other investments (Note 9)	8,590,125	98,227,006
	149,733,567	218,444,508
Financial Liabilities		
Accounts payable and accrued liabilities (Note 10)	41,821,720	153,921,929
Deferred revenue	1,114,533	1,350,102
Deferred government transfers (Note 11)	41,864,256	45,327,274
Post-employment benefits and compensated absences (Note 13)	112,178,104	117,842,785
Long-term debt (Note 12)	218,102,854	230,759,530
	415,081,467	549,201,620
Net debt	(265,347,900)	(330,757,112)
Non-financial assets		
Inventory	4,385,067	4,971,338
Prepays	588,163	588,601
Tangible capital assets (Note 20)	1,018,953,533	1,023,433,031
	1,023,926,763	1,028,992,970
Accumulated surplus	758,578,863	698,235,858
Contingencies (Note 14)		
Commitments (Note 15)		

Approved by:

Don Darling, Mayor

David Merrithew, Chair of Finance Committee

Jonathan Taylor, Common Clerk

The City of Saint John

Consolidated Statement of Operations and Accumulated Surplus As at December 31, 2019

	2019 Budget (Unaudited) (Note 2) \$	2019 \$	2018 \$
Revenues			
Property taxes	123,580,880	125,704,831	123,443,042
Unconditional grant	17,353,344	16,279,669	15,659,510
Financial assistance	7,117,402	2,788,061	4,556,010
Other revenue from own sources (Note 26)	24,188,724	24,329,404	23,604,611
Water and sewer revenue (Note 16)	43,770,000	45,592,250	44,590,627
Miscellaneous revenue	321,000	740,887	421,081
Contributions from others (Note 26)	1,346,002	1,654,379	2,877,350
Income from energy services	-	-	21,114,000
	217,677,352	217,089,481	236,266,231
Expenses			
General government services (Note 26)	43,732,002	32,386,324	48,894,496
Protective services (Note 26)	55,637,734	53,891,311	53,478,337
Transportation services (Note 26)	38,680,238	48,805,432	47,324,451
Water and sewer services (Note 26)	49,970,335	46,951,619	40,332,566
Environmental health services (Note 26)	3,722,605	3,264,430	3,429,828
Environmental development services (Note 26)	18,725,999	19,773,933	18,792,023
Recreational and cultural services (Note 26)	10,370,658	10,550,737	11,258,467
Loss from energy services	-	10,046,000	-
	220,839,571	225,669,786	223,510,168
Annual (deficit) surplus before capital contributions	(3,162,219)	(8,580,305)	12,756,063
Government transfers for capital (Note 26)	-	66,720,509	9,279,625
Other contributed assets for capital (Note 26)	-	2,202,801	157,601
Annual surplus	-	60,343,005	22,193,289
Accumulated surplus, beginning of year	-	698,235,858	676,042,569
Accumulated surplus, end of year	-	758,578,863	698,235,858

The City of Saint John

Consolidated Statement of Changes in Net Debt

As at December 31, 2019

	2019 \$	2018 \$
Annual surplus	60,343,005	22,193,289
Acquisition of tangible capital assets (Note 20)	(37,740,309)	(152,540,310)
Loss on disposal of tangible capital assets (Note 20)	1,355,784	1,148,028
Proceeds on sale of tangible capital assets	211,627	1,428,448
Amortization of tangible capital assets (Note 20)	40,652,396	38,825,114
(Increase) decrease in inventory	586,271	(3,507,376)
(Increase) decrease in prepaids	438	54,457
Tangible capital assets adjustment related to land held for resale (Note 20)	-	3,440,348
Decrease (increase) in net debt	65,409,212	(88,958,002)
Net debt, beginning of year	(330,757,112)	(241,799,110)
Net debt, end of year	(265,347,900)	(330,757,112)

The City of Saint John

Consolidated Statement of Cash Flow

As at December 31, 2019

	2019 \$	2018 \$
Operating transactions		
Annual surplus	60,343,005	22,193,289
Items not involving cash		
Amortization of tangible capital assets (Note 20)	40,652,396	38,825,114
Loss on disposal of tangible capital assets	1,355,784	1,148,028
Tangible capital assets adjustment related to land held for resale	-	3,440,348
Change in investment in Energy Services	10,046,000	(21,114,000)
Change in non-cash assets and liabilities		
Accounts receivable	1,361,258	1,826,161
Inventory	586,271	(3,507,376)
Prepays	438	54,457
Accounts payable and accrued liabilities	(112,100,209)	123,787,095
Deferred revenue	(235,569)	(281,232)
Deferred government transfers	(3,463,018)	13,792,666
Other post-employment liabilities	(5,664,681)	2,995,958
	(7,118,325)	183,160,508
Capital transactions		
Acquisitions of tangible capital assets (Note 20)	(37,740,309)	(152,540,310)
Proceeds on the sale of tangible capital assets	211,627	1,428,450
	(37,528,682)	(151,111,860)
Financing transactions		
Repayment of long-term debt	(21,484,676)	(24,861,755)
Proceeds from long-term debt	8,828,000	14,580,000
	(12,656,676)	(10,281,755)
Investing transactions		
Redemption of investments (Note 9)	89,636,881	3,748,851
Net Increase in cash and cash equivalents	32,333,198	25,515,744
Cash and cash equivalents, beginning of year	54,488,474	28,972,730
Cash and cash equivalents, end of year	86,821,672	54,488,474

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

1. Purpose of the Organization

The City of Saint John (the "City") was incorporated by royal charter in 1785. As a municipality, the City is exempt from income taxes under Section 149(1)(c) of the Canadian Income Tax Act. The City has the following vision statement: "We are energized, engaged people committed to working together to provide services that are responsive to community needs and delivered in a sustainable, cost effective way."

2. Summary of Significant Accounting Policies

The consolidated financial statements of the City are the representations of the City's management prepared in accordance with Public Sector Accounting Standards ("PSAS") as recommended by the Chartered Professional Accountants of Canada Public Sector Accounting Board ("PSAB").

Significant aspects of the accounting policies adopted by the City are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net debt and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the City and which are owned or controlled by the City.

Interdepartmental and organization transactions and balances are eliminated.

The focus of PSAB financial statements is on the financial position of the City and the changes thereto. The Consolidated Statement of Financial Position includes all the assets and liabilities of the City.

The entities included in the consolidated financial statements, having the same year end as the City, are as follows:

1. The City of Saint John General Operating Fund
2. The City of Saint John Capital and Loan Fund
3. The City of Saint John Water and Sewerage Utility Operating Fund
4. The City of Saint John Water and Sewerage Utility Capital and Loan Fund
5. Saint John Parking Commission
6. Saint John Transit Commission
7. Develop Saint John
8. Harbour Station Commission
9. Saint John Aquatic Centre Commission
10. Saint John Trade and Convention Centre
11. Saint John Energy
12. Lord Beaverbrook Rink
13. Saint John Police Commission
14. Saint John Free Public Library
15. Saint John Jeux Canada Games Foundation, Inc.

2. Summary of Significant Accounting Policies (Continued)

Investment in Energy Services

The City's investment in Saint John Energy is accounted for on a modified equity basis, consistent with generally accepted accounting principles as recommended by PSAS. Under the modified equity basis of accounting, the business enterprise's accounting principles are not adjusted to conform with those of the City and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual income or loss of Saint John Energy in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account.

Budget

The budget figures contained in these financial statements were approved by Council on December 17, 2018 and the Minister of Local Government on January 17, 2019. The budget is unaudited and does not include elimination of inter-organizational revenues and expenses with controlled entities.

Revenue Recognition

Unrestricted revenue and other sources of revenue are recorded on an accrual basis and is recognized when collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Other revenue is recorded when it is earned. Property taxes, which are authorized by Council, are recognized as revenues in the period for which the taxes are levied.

Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligible criteria have been met.

Expenses

Expenses are recorded on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Measurement Uncertainty

The preparation of the consolidated financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Key components of the consolidated financial statements requiring management to make estimates include: the useful life of tangible capital assets, impairment of tangible capital assets, rates for amortization, allowance for doubtful accounts in respect of receivables and estimates for pension liabilities. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could materially differ from those estimates.

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less. Restricted cash is not available for use in general operations and is not available for withdrawal as it is legally restricted in accordance with third-party special purpose agreements.

Tangible Capital Assets

Tangible capital assets are non-financial assets having a physical substance that:

- Are held for use by the City in the production or supply of goods and services, for rentals to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible assets;
- Have useful lives extending beyond one year and are intended to be used on a continual basis;
- Have a minimum value of \$5,000 for individual assets; or \$25,000 for pooled assets; and
- Are not intended for sale in the ordinary course of operations.

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Assets that fall below the threshold amounts are expensed for accounting purposes. The cost of the tangible asset is amortized on a straight line over the estimated useful life as follows:

Asset Type	Years
Equipment and light machinery	3-25
Furniture and office equipment	5-15
Information technology equipment and software	1-15
Land	N/A
Land improvements	5-100
Leasehold improvements	term of lease
Municipal buildings	10-70
Transportation	5-50
Motor vehicles and mobile equipment	5-20
Water and wastewater networks	5-100

In the year of acquisition and the year of disposal, one half of the annual amortization expense is recognized.

Assets under construction are not amortized until the asset is available to productive use.

Tangible capital assets are written down when conditions indicate that there is impairment in the value of the assets and the reduction in the value can be objectively estimated and it is expected to be permanent. The net write-downs are accounted for as expenses in the statement of operations.

Donated or contributed assets are recorded at fair market value at the date of construction or donation. In some circumstances, replacement cost may be used.

2. Summary of Significant Accounting Policies (Continued)

Segmented Information

The City provides a wide range of services to its residents. For management reporting purposes, operations and activities are organized and reported by function. This presentation was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by service areas as follows:

General Government Services

This segment is responsible for the overall governance and financial administration of the City. This includes Council functions, general and financial management, legal matters and compliance with legislation as well as civic relations.

Protective Services

This segment is responsible for the provision of policing services, fire protection, emergency measures, animal control and other protective measures.

Transportation Services

This segment is responsible for common services, road and street maintenance, street lighting, traffic services, parking and other transportation related functions.

Water and Sewer Services

This segment is responsible for the provision of water and sewer services including the maintenance and operation of the underground networks, treatment plants, reservoirs and lagoons.

Environmental Health Services

This segment is responsible for the provision of waste collection and disposal.

Environmental Development Services

This segment is responsible for planning and zoning, community development, tourism and other municipal development and promotion services.

Recreation and Cultural Services

This segment is responsible for the maintenance and operation of recreational and cultural facilities, including the swimming pool, arenas, parks and playgrounds and other recreational and cultural facilities.

Energy Services

This segment comprises a non-generating distribution utility that supplies electricity to municipal, residential, general service and industrial customers through 12 interconnection supply points and substations located in the City. It also provides street lighting, area lighting and water heater rental services.

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

2. Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists mainly of parts and materials and is valued at the lower of cost and net replacement cost with cost being determined on the first in, first out basis.

Post Employment Benefits

The City recognizes its obligations under post-employment benefit plans and the related costs, as disclosed in Note 13. Where appropriate, the City has undertaken actuarial valuations.

3. Bank Loan Payable

The City has credit facilities with the Bank of Nova Scotia. According to the terms and conditions of the commitment letter signed between the City and the Bank of Nova Scotia, the City can borrow up to \$6 million to fund general operations and \$25 million to assist in financing capital expenditures pending fall-in of long-term financing. The interest rate for the credit facilities is the Bank's prime lending rate less 0.5% per annum with interest payable monthly. As at December 31, 2019, the balance of the bridge financing credit facility was zero (2018 - zero) and the balance of the operating line of credit was zero (2018 - zero).

As prescribed in the Municipalities Act, borrowing to finance General Fund operations is limited to 4% of the City's operating budget. Borrowing to temporarily finance Utility Fund operations is limited to 50% of the operating budget for the year. In 2019, the City has complied with these limitations.

4. Cash and Cash Equivalents

Cash and cash equivalents consists of the following:

	2019	2018
	\$	\$
Unrestricted cash	42,590,667	7,810,092
Restricted cash		
Airspace 2049 Fund	25,296	27,205
Land sub-division Fund	150,901	74,243
Saint John Non-Profit Housing Future Development Fund	53,613	52,447
Deposits on contracts	1,136,939	1,197,214
Develop Saint John	1,000,000	-
Safe Clean Drinking Water Project	27,794,260	38,794,260
Gas Tax	14,069,996	6,533,013
	86,821,672	54,488,474

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

5. Accounts Receivable

Accounts receivable consist of the following:

	2019	2018
	\$	\$
Water and sewer charges to ratepayers	7,940,040	7,644,637
Other	3,483,072	4,245,857
Due from the Province of New Brunswick	1,475,380	3,001,876
Due from the Federal Government and its agencies	2,387,389	1,751,208
Allowance for doubtful accounts	(1,719,111)	(1,715,550)
	13,566,770	14,928,028

6. Due from the Federal Government and its Agencies

Amounts due from the Federal Government and its agencies consists of the following:

	2019	2018
	\$	\$
Clean Waste Water Funding	1,162,249	799,133
Canada Revenue Agency HST Receivable	1,175,952	856,099
Other	49,188	95,976
	2,387,389	1,751,208

7. Due from the Province of New Brunswick

Amounts due from the Province of New Brunswick consists of the following:

	2019	2018
	\$	\$
Clean Waste Water Funding	572,451	395,216
Financial Assistance	-	1,566,473
Department of Transportation	276,333	272,255
Department of Public Safety - Flood 2018	502,000	502,000
Other	124,596	265,932
	1,475,380	3,001,876

8. Investment in Energy Services

Change in equity Saint John Energy:

	2019	2018
	\$	\$
Investment, beginning of year	50,801,000	29,687,000
Net (loss) earnings	(10,046,000)	21,114,000
Investment, end of year	40,755,000	50,801,000

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

9. Other Investments

Other investments consist of the following:

	2019	2018
	\$	\$
GIC	-	90,229,783
Canada Games Foundation investments	7,350,333	6,869,070
Other investments	1,239,792	1,128,153
	8,590,125	98,227,006

Investments of the City of Saint John are held with the Bank of Nova Scotia and consist of 2 year term redeemable GICs issued by the Bank of Scotia which fall within the scope of the City's Investment Policy. It is the policy of the City to invest funds to provide the optimal blend of investment returns and principal protection while meeting the City's daily cash flow and liquidity demands.

The investments of the Canada Games Foundation (the "Foundation") are held in the custody of Scotiatrust and CIBC Melon. The Foundation's investment strategy is to hold high quality corporate or government bonds and liquid equity investments which bear no unusual credit or interest rate risk. Fair values of investments in fixed income securities and equities are determined using year end quoted market prices.

10. Accounts payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2019	2018
	\$	\$
Trade payables	20,996,747	18,711,881
Payables related to the Safe Clean Drinking Water project	10,377,481	124,436,332
Other	201,560	181,487
Payroll	7,139,017	7,242,808
Conferences and holdings	1,007,508	1,085,925
Deposits	1,160,039	1,318,585
Interest payable	643,725	685,928
Due to Pension Fund	295,643	258,983
	41,821,720	153,921,929

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

11. Deferred Government Transfers

Deferred government transfers consist of the following:

	2019	2018
	\$	\$
Gas tax funding	14,069,996	6,533,014
Contribution from Regional Development Corporation	27,794,260	38,794,260
	41,864,256	45,327,274

As per the Gas Tax Funding Agreement, funding received as part of the Gas Tax Funding program is recorded as revenue in the year during which related expenditures are incurred. Amounts that have not been spent are recorded as deferred government transfers on the Consolidated Statement of Financial Position.

The contribution from Regional Development Corporation was related to the Safe Clean Drinking Water Project. The money will be used toward the substantial completion payments in the future.

12. Long-Term Debt

Debentures consist of the following:

Year of Issue	Interest Rate	Term	2019	2019	2018
	%	(Years)	Annual Payment	\$	\$
New Brunswick Municipal Finance Corporation Debentures					
2008	2.10 to 5.55	15	367,000	1,463,000	1,830,000
2008	2.10 to 5.55	15	175,000	1,575,000	1,750,000
2008	2.10 to 5.55	15	100,000	400,000	500,000
2009	0.95 to 5.00	10	5,603,000	-	5,603,000
2009	0.95 to 5.00	10	825,000	-	825,000
2009	0.95 to 5.00	10	600,000	-	600,000
2009	1.00 to 4.50	10	3,397,000	-	3,397,000
2009	1.00 to 4.50	10	2,750,000	-	2,750,000
2009	1.00 to 4.50	10	2,003,000	-	2,003,000
2010	1.50 to 4.55	10	1,000,000	6,000,000	7,000,000
2010	1.50 to 4.55	10	250,000	2,750,000	3,000,000
2011	1.65 to 4.25	10	1,667,000	13,664,000	15,331,000
2011	1.65 to 4.25	10	700,000	8,400,000	9,100,000
2011	1.35 to 3.45	10	300,000	2,100,000	2,400,000
2011	1.35 to 3.45	10	350,000	4,200,000	4,550,000
2011	2.06	15	200,000	2,400,000	2,600,000
2012	1.35 to 3.55	15	767,000	6,131,000	6,898,000
2012	1.35 to 3.80	20	425,000	5,525,000	5,950,000
2012	1.35 to 3.55	15	300,000	2,400,000	2,700,000
2013	1.35 to 3.70	15	687,000	6,178,000	6,865,000

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

12. Long-Term Debt (Continued)

Year of Issue	Interest Rate %	Term (Years)	2019	2019	2018
			Annual Payment \$	\$	\$
2013	1.35 to 4.00	20	550,000	7,700,000	8,250,000
2013	1.35 to 4.00	20	360,000	6,840,000	7,200,000
2014	2.00	20	500,000	7,500,000	8,000,000
2014	1.15 to 3.90	15	707,000	7,065,000	7,772,000
2014	1.20 to 3.70	15	1,055,000	2,665,000	3,720,000
2014	1.20 to 3.70	20	668,000	5,340,000	6,008,000
2014	1.15 to 3.90	15	27,000	265,000	292,000
2014	1.20 to 2.15	5	56,000	-	56,000
2015	0.95 to 3.25	15	500,000	5,500,000	6,000,000
2015	1.05 to 3.65	15	607,000	1,942,000	2,549,000
2015	0.95 to 3.50	20	175,000	2,800,000	2,975,000
2015	1.05 to 3.15	20	175,000	1,050,000	1,225,000
2015	1.05 to 3.65	15	107,000	772,000	879,000
2016	1.20 to 3.55	15	1,034,000	5,068,000	6,102,000
2016	1.45 to 3.50	15	400,000	4,800,000	5,200,000
2016	1.45 to 3.75	20	200,000	3,400,000	3,600,000
2016	1.20 to 2.95	10	400,000	2,800,000	3,200,000
2016	1.20 to 3.55	15	127,000	919,000	1,046,000
2017	1.20 to 3.30	15	333,000	4,334,000	4,667,000
2017	1.65 to 3.20	15	513,000	2,874,000	3,387,000
2017	1.65 to 3.40	30	1,500,000	42,000,000	43,500,000
2017	1.65 to 2.90	10	350,000	2,800,000	3,150,000
2017	1.65 to 3.20	15	101,000	968,000	1,069,000
2018	2.55 to 3.55	15	700,000	9,800,000	10,500,000
2018	2.10 to 3.00	5	566,000	2,264,000	2,830,000
2018	2.10 to 3.45	10	125,000	1,125,000	1,250,000
2019	2.050 to 2.300	5	-	5,170,000	-
2019	3.41	10	-	1,428,000	-
2019	2.050 to 2.850	10	-	750,000	-
2019	1.950 to 2.100	5	-	1,670,000	-
2019	1.950 to 2.800	15	-	10,230,000	-
2019	1.950 to 2.450	10	-	2,500,000	-
			34,302,000	217,525,000	230,079,000
Other Debentures					
Canada Mortgage and Housing Debentures					
2009	3.97	15	102,675	577,854	680,530
Total Debentures			34,404,675	218,102,854	230,759,530

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

12. Long-Term Debt (Continued)

The aggregate amount of principal repayments required in each of the next five years and thereafter to meet provisions of long-term debt, assuming maturity debt is renewed at terms comparable to those currently in effect, is as follows:

	\$
2019	28,781,752
2020	41,851,990
2021	15,715,395
2022	16,175,977
2023	14,102,740
Thereafter	101,475,000
	<hr/> 218,102,854 <hr/>

13. Post Employment Benefits and Compensated Absences

City of Saint John Shared Risk Plan

The City of Saint John Pension Plan (Former CSJ Plan) was converted to the City of Saint John Shared Risk Plan ("CSJ SRP") effective January 1, 2013 (the conversion date). The purpose of the CSJ SRP is to provide secure benefits to members of the plan without an absolute guarantee but with a risk focused management approach delivering a high degree of certainty that base benefits can be met in the vast majority of potential future economic scenarios. These objectives are achieved through the development of a risk management framework that adheres to the legislated criteria, results in a low probability that base benefits will be reduced, and sets out the specific steps to be taken should the Plan's funded ratio fall below, or exceed, specified thresholds. These steps, when the Plan is underfunded, include the cessation of indexation of benefits, increasing contribution rates (to a predetermined maximum), reducing certain ancillary benefits, and ultimately reducing base benefits. When the Plan has excess funding, previous benefit reductions can be reversed, indexing is fully implemented, and various other potential increases can be implemented, including a decrease in contribution rates (to a predetermined maximum).

Shared risk plans are legislated under the provincial Pension Benefits Act (PBA) which contains a number of requirements that must be met in order to qualify for registration by the Office of the Superintendent of Pensions. The Plan is also subject to the Income Tax Act. The Plan is administered by a Board of Trustees which includes 4 individuals nominated by the City and 4 individuals nominated by each of the four unions.

The assets of the Plan are held by RBC Investor and Treasury Services which acts as custodian of the Plan. The assets of the Plan are managed by various investment managers who have discretionary investment authority within the investment mandates given to them by the Plan's Board of Trustees. The performance of the Plan relative to its benchmarks is measured on a regular basis.

For service prior to the conversion date, the Plan provides for pensions at the rate of 2% per year of service times the average of the three consecutive years of service having the highest salary at the time of conversion. For service after the conversion date, the pension accrual for each year of service is 1.8% times the salary (excluding overtime pay) earned during the relevant year to a certain maximum salary that is indexed every year (\$133,892 in 2018).

Pension benefits accrued before the conversion date are payable without reduction when the member's age and service equal at least 85 (or at age 65, if earlier). Pension benefits accrued after the conversion date are payable without reduction at age 60 for employees in the International Association of Fire Fighters and Saint John Police Association and at age 65 for all other employees. Pension benefits can be paid as early as age 55 with a reduction.

Shared risk plans extinguish all accrued rights to automatic future indexing. These automatic adjustments have been replaced by indexing as permitted by the Plan's funding policy, which is contingent on the SRP performance.

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

13. Post Employment Benefits and Compensated Absences (Continued)

City of Saint John Shared Risk Plan (Continued)

The initial required employee contributions are equal to 12% of earnings for employees in the International Association of Fire Fighters and Saint John Police Association and employee contributions of 9% of earnings for other employees. Members in public safety occupations who accept a non-union position will have a one-time opportunity to elect to continue to contribute at the higher rate. The City makes initial required employer contributions of 15.2% and 11.4% of earnings (representing about 126.7% of employee contribution rates) for each of these groups. The initial contribution rates for both the employees and the City is subject to change as a result of the triggering mechanism and limitations imposed by the Plan's funding policy. Also, since April 1, 2013, the City is required to make contributions of 17% of earnings for a period of 15 years, or when the Plan achieves a minimum funded ratio of 150% (as calculated under the legislation) using a 15-year open group method (no less than 10 years of payment must be made). The City has no other financial obligation other than to make contributions at the above rates, and within the limits found under the Plan's funding policy.

In the event of a wind-up of the Plan in the five years following the conversion date, the Plan would be wound up under the provisions of the Former CSJ Plan. All assumptions relating to the CSJ SRP have been made on the basis of an on-going Plan and the City does not foresee a wind-up of the Plan.

Actuarial Valuations

Actuarial valuations for the Plan are conducted annually by the Board of Trustees for regulatory purposes. In turn, the actuarial valuations for accounting purposes are based on these figures (with adjustments). The most recent actuarial valuation was prepared as at January 1, 2019. The actuarial valuations for accounting purposes are based on a number of assumptions about future events, such as inflation rates, interest rates, salary increases, employee turnover and mortality. The accrued benefit obligation as at December 31, 2018 and current period benefit cost for the following year are based on an actuarial valuation conducted as at December 31, 2018. The accrued benefit obligation as at December 31, 2018 and current period benefit cost for the following year are based on an actuarial valuation conducted as at December 31, 2018 and extrapolated to December 31, 2019, using assumptions effective for December 31, 2019. The assumptions used reflect management's best estimates. The following summarizes the major assumptions in the accounting valuations and extrapolations at the various effective dates:

	2019	2018
Discount rate	5.85%	6.05%
Inflation rate	2.10%	2.25%
Salary increase	2.85%	3.00%
Mortality	CPM - 2014 mortality table with adjustments factors	

The Expected Average Remaining Service Life (EARSL) is 12 years. During the year, the City made pension contributions of \$19,712,340 (2018 - \$20,562,689).

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

13. Post Employment Benefits and Compensated Absences (Continued)

City of Saint John Shared Risk Plan (Continued)

The following table reflects the City's share of the accrued benefit liability, which equals to the full portion of the Accumulated Benefit Obligation ("ABO") related to the temporary contributions and 55.9% of the remaining portion of the ABO net of Plan assets because funding contributions are shared at 55.9% by the City and 44.1% by employees, before taking into account the additional temporary contribution of 17% of earnings.

	2019	2018
	\$	\$
City share of accrued benefit liability, beginning of year	114,100,000	89,300,000
City share of current period benefit cost	6,000,000	6,300,000
City share of past service cost	1,800,000	13,000,000
Interest cost	6,600,000	5,700,000
Less City contributions	(19,700,000)	(20,600,000)
Actuarial (gain) loss	(29,300,000)	20,400,000
City share of accrued benefit liability, end of year	79,500,000	114,100,000
Unamortized actuarial gain (loss)	14,800,000	(15,700,000)
Pension liability end of year	94,300,000	98,400,000

The following table reflects the City share of pension related expenses:

	2019	2018
	\$	\$
Current period benefit cost	6,000,000	6,300,000
Past service cost	1,800,000	13,000,000
Interest cost	6,600,000	5,700,000
Amortization of City share of actuarial (gain) loss	1,200,000	(700,000)
Total expense related to Pension	15,600,000	24,300,000

Other Employee Future Benefits

The City provides for the payment of retirement allowances to retiring employees in accordance with the terms of the various collective agreements and Municipal policy. The retirement allowance is based on the member's final annual salary and years of service at retirement. Employees upon retirement from the City are entitled to a retirement allowance equal to one month's pay, to a maximum of six months, for every five years of service. The program has been amended to provide certain employees with a payout option prior to retirement. Accepting the early payout option eliminates further accumulation of retirement allowance entitlement for those employees.

The City also provides for employee sick leave. Unused sick leave accumulates to a maximum number of hours which varies by employment agreement. Under this program, employees are not entitled to a cash payment in lieu of sick leave when they leave the City's employment except as described below with respect to the retirement both outside workers (local 18) and firefighters (local 771).

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

13. Post Employment Benefits and Compensated Absences (Continued)

Other Employee Future Benefits (Continued)

Upon retirement, members of Local 18 and 771 will be eligible to receive 10% of their regular rate of pay for accumulated sick leave credits in excess of 1,760 hours or 2,280 hours respectively.

For employees of the City of Saint John Fire department, who are unable to work due to heart disease or permanent injury to the lungs, the City pays certain amounts to disabled firefighters or their survivor spouse as a result of the provisions of an Act of the Legislature, known as the Act respecting the Saint John Firefighters's Association.

As at January 1, 2013, the City's pension plan was converted to a shared risk model. As part of the conversion, the City assumed the obligation for paying existing disability pensions, that had been granted under the old plan, until disabled members reach the age of 65. On a go forward basis, disability coverage is now provided for employees through a long term disability program administered by an insurance carrier.

Finally there are specific agreements that obligate the City to pay top up pensions to certain individuals. During the year, the City made payments of \$66,200 (2018 - \$65,375) related thereto.

Valuation Techniques and Assumptions

Actuarial valuations of the above benefits are completed for accounting purposes using the projected benefit method prorated on services. The last actuarial valuation of the post-employment benefit plans was conducted as at December 31, 2019. Previous to that, an actuarial valuation was performed as at December 31, 2018.

The above benefit plans are unfunded and as such, there are no applicable assets. Benefits are paid out of general revenue as they become due.

A reconciliation of the accrued benefit obligation for these plans, along with the main assumptions used for disclosure and expense calculations are as follows:

	2019	2018
	\$	\$
Accrued benefit obligation, beginning of year	25,649,185	26,522,427
Current period benefit cost	1,077,900	1,081,400
Past Service improvement costs, plan ammendments	(1,377,300)	-
Benefit payments	(2,870,300)	(3,042,243)
Interest cost	1,878,985	808,601
Actuarial loss	1,615,800	279,000
Other employee future benefits, end of year	25,974,270	25,649,185

	2019	2018
	\$	\$
Main assumptions used for these plans:		
Discount rate	2.76%	3.46%
Salary increase	3.00%	3.00%
EARSL Range	6 to 24	8 to 23

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

13. Post Employment Benefits and Compensated Absences (Continued)

These benefit plans require no contributions from employees. The benefit liability as at December 31, 2019 includes the following components:

	2019	2018
	\$	\$
Accrued Benefit Obligation (Carrying Value)		
Retirement allowances	4,921,100	4,517,400
Sick leave	9,142,000	8,330,000
Heart and lung pension	4,060,100	5,133,600
Disability benefits	4,754,600	5,637,600
Contractual top up agreements	12,700	1,076,185
Sick leave - Saint John Transit Commission	975,900	954,400
	23,866,400	25,649,185
Unamortized actuarial loss	(7,086,200)	(6,206,400)
	16,780,200	19,442,785

The unamortized actuarial losses will be amortized over the EARS of the related employee groups starting in the next fiscal year. EARS is determined separately for each benefit program.

The total expense related to other employee benefits described above includes the following components:

	2019	2018
	\$	\$
Current period benefit cost	1,062,800	1,081,400
Amortization of actuarial loss	822,200	448,200
	1,885,000	1,529,600
Other employee benefit interest expense	1,878,985	808,601
Total expense related to other employee future benefits	3,763,985	2,338,201

14. Contingencies

In accordance with the Regional Service Delivery Act and the General Regulation thereunder, the City is also liable for a pro rata share of the debentures and other long-term debt issued on behalf of the Fundy Region Solid Waste Commission ("Commission"). The portion attributable to the City is determined on the basis of its percentage of total population within all participating municipalities and unincorporated areas. The total of such debt outstanding at December 31, 2019 amounted to \$2,000,000 (2018 – \$108,000). Based on 2003 population figures, the City is liable for approximately 55% of the Commission's debt.

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

14. Contingencies (Continued)

The City is, from time to time, subject to various investigations, claims, and legal proceedings covering matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the consolidated financial position or operating results of the City. Legal proceedings filed in December 2013 remain outstanding against the city of Saint John with respect to the alleged activity of a former employee/police officer. The relief sought has not been quantified in the documents filed with the court and therefore the city is not in a position to estimate the amount of potential liability if any, in this matter. Legal proceedings were filed against the City of Saint John in early 2018 relating to the water supplied by the municipal water system to some of its customers. The relief sought has not been quantified in the documents filed with the court and therefore the City is not in a position to estimate the amount of the potential liability, if any, in this matter.

15. Commitments

Greater Saint John Regional Facilities Commission

During 1998, the Greater Saint John Regional Facilities Commission ("Regional Facilities Commission") was created by an Act of the Legislative Assembly of New Brunswick. Under the provisions of the Act, the Regional Facilities Commission has the authority to determine the annual amount of total municipal contribution to be made towards the operation of five regional facilities: the Saint John Aquatic Centre Commission, Harbour Station Commission, the Saint John Trade and Convention Centre, the Imperial Theatre and the Saint John Arts Centre. Under the provisions of the Act, the City's contribution is its pro rata share of the Regional Facilities Commission's operating budget based on the tax bases of the participating municipalities of the Town of Quispamsis, the Town of Rothesay, the Town of Grand Bay-Westfield and the City of Saint John. The City's contribution is 67.30% in 2019 (2018 - 67.15%).

16. Water and Sewer Fund Surplus

The Municipalities Act requires Water and Sewer Fund surplus/deficit amounts to be absorbed into one or more of four Operating Budgets commencing with the second ensuing year; the balance of the surplus/deficit at the end of the year consists of:

	2019	2018
	\$	\$
2019 Surplus	196,731	-
2018 Surplus	51,791	51,791
2017 Surplus	399,028	532,037
2016 Surplus	358,282	537,423
2015 Surplus	161,112	322,225
2014 Surplus	-	507,658
	1,166,944	1,951,134

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

17. Water cost transfer

The City's water cost transfer for fire protection is within the maximum allowable by Regulation 81-195 under the Municipalities Act, based upon the applicable percentage of water system expenditures for the population.

18. Funds Held in Trust

Funds administered by the City for the benefit of external parties are not included in the consolidated financial statements. The amount administered as at December 31, 2019 was \$476,554 (2018 - \$484,113).

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

19. Statement of Reserves

	Water & Sewer Capital Reserve	General Operating Reserve	General Capital Reserve	2019 Total	2018 Total
Assets					
Cash	1,686,051	4,744,056	6,531,372	12,961,479	31,699,978
Accumulated Surplus	1,686,051	4,744,056	6,531,372	12,961,479	31,699,978
Revenue					
Transfers from Water and Sewerage Utility Operating	542,921	-	-	542,921	7,796,255
Transfers from General Operating Fund	-	770,000	4,054,989	4,824,989	4,970,702
Interest	227,269	111,047	39,778	378,094	378,750
Total Revenues	770,190	881,047	4,094,767	5,746,004	13,145,707
Expenditures	20,756,861	783,080	2,944,562	24,484,503	1,845,762
Annual (Deficit) Surplus	(19,986,671)	97,967	1,150,205	(18,738,499)	11,299,945
Balance, beginning of year	21,672,722	4,646,089	5,381,167	31,699,978	20,400,033
Balance, end of year	1,686,051	4,744,056	6,531,372	12,961,479	31,699,978

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

19. Statement of Reserves (Continued)

Council Resolutions regarding transfers to and from reserves

Moved by Deputy Mayor McAlary, seconded by Councillor Sullivan: RESOLVED that as recommended by the City Manager in the submitted report M&C 2018-350: 2019 General Operating Budget, Council approve the following:

- \$350,000 from the General Operating Fund to the Growth Reserve Fund to support the City's growth initiatives;
- \$500,000 from the General Operating Fund to the Capital Reserve Fund to fund infrastructure deficit;
- \$300,000 from the General Operating Fund to the Operating Reserve Fund to support a Restructuring Plan.

Moved by Deputy Mayor McAlary, seconded by Councillor Sullivan: RESOLVED that the recommendation set out in each consent agenda item respectively with the exclusion of item 5.11 which has been moved to item 14.1 for discussion be approved:

- 5.10 That as recommended by the City Manager in the submitted report M&C 2019-351: Reserves, Common Council approve the transfer of:
- \$120,000 from the General Operating Fund to an Operating Reserve to cover the cost of finishing the City's website project;
 - \$80,000 from the General Operating Fund to the General Capital Reserve to fund a Solid Waste Pilot Project;
 - \$290,244 from the General Operating Fund to the General Capital Reserve to fund two Saint John Fire projects (CAER Initiative and Industrial
- Approve the "Reserve Schedule A" included in the report

I hearby certify that the above are true and exact copies of resolutions adopted at the meetings of Common Council on December 17, 2018 and December 19, 2019.

Jonathan Taylor
Common Clerk
City of Saint John

Date

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

20. Tangible Capital Assets

	Land	Land	Leasehold	Buildings	Vehicles	Machinery &	Transportation	Water &	Assets under	2019 Total
	\$	Improvements	Improvements	\$	\$	Equipment	\$	Wastewater	Construction	\$
		\$	\$			\$		Networks	\$	
COST										
Balance, beginning of year	148,555,584	39,382,396	2,088,228	211,536,430	54,004,613	17,028,050	457,468,117	731,497,517	6,395,432	1,667,956,367
Additions and transfers	7,581	1,309,792	-	335,087	2,342,685	480,268	9,091,495	22,270,968	1,902,433	37,740,309
Disposals	166,000	-	-	134,194	2,191,045	156,268	6,961,312	3,782,556	-	13,391,375
Adjustments related to land held for resale	-	-	-	-	-	-	-	-	-	-
Balance, end of year	148,397,165	40,692,188	2,088,228	211,737,323	54,156,253	17,352,050	459,598,300	749,985,929	8,297,865	1,692,305,301
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	16,889,861	1,628,237	102,976,844	28,500,172	9,863,991	221,421,983	263,242,250	-	644,523,338
Amortization for the year	-	1,287,909	54,544	5,330,367	3,772,748	1,496,459	12,112,854	16,562,363	-	40,617,244
Accumulated amortization on disposals	-	-	-	132,374	2,123,579	148,892	6,057,064	3,362,057	-	11,823,966
Adjustments	-	-	-	-	-	35,152				35,152
Balance, end of year	-	18,177,770	1,682,781	108,174,837	30,149,341	11,246,710	227,477,773	276,442,556	-	673,351,768
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	148,397,165	22,514,418	405,447	103,562,486	24,006,912	6,105,340	232,120,527	473,543,373	8,297,865	1,018,953,533
Consists of:										
General Fund assets	148,397,165	22,514,418	405,447	103,562,486	24,006,912	6,105,340	232,120,527	-	5,221,057	542,333,352
Water and Wastewater assets	-	-	-	-	-	-	-	473,543,373	3,076,808	476,620,181
	148,397,165	22,514,418	405,447	103,562,486	24,006,912	6,105,340	232,120,527	473,543,373	8,297,865	1,018,953,533

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

20. Tangible Capital Assets (Continued)

	Land \$	Land Improvements \$	Leasehold Improvements \$	Buildings \$	Vehicles \$	Machinery & Equipment \$	Transportation \$	Water & Wastewater Networks \$	Assets under Construction \$	2018 Total \$
COST										
Balance, beginning of year	152,755,713	38,272,814	2,052,203	209,073,293	48,141,218	14,670,174	454,789,084	590,693,838	22,880,112	1,533,328,449
Additions and transfers	-	1,116,839	36,027	3,698,630	8,235,124	3,997,669	7,864,034	144,076,661	(16,484,674)	152,540,310
Disposals	759,781	7,261	-	1,235,493	2,371,730	1,639,793	5,185,002	3,272,983	-	14,472,043
Adjustments related to land held for resale	(3,440,348)	-	-	-	-	-	-	-	-	(3,440,348)
Balance, end of year	148,555,584	39,382,392	2,088,230	211,536,430	54,004,612	17,028,050	457,468,116	731,497,516	6,395,438	1,667,956,368
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	15,655,774	1,576,430	98,540,782	26,917,216	9,895,052	213,674,128	251,334,408	-	617,593,791
Amortization for the year	-	1,241,348	51,807	5,368,397	3,834,163	1,431,278	12,227,648	14,670,473	-	38,825,114
Accumulated amortization on disposals	-	7,261	-	932,336	2,251,207	1,462,339	4,479,793	2,762,631	-	11,895,567
Balance, end of year	-	16,889,861	1,628,237	102,976,843	28,500,172	9,863,991	221,421,983	263,242,250	-	644,523,337
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	148,555,584	22,492,531	459,992	108,559,587	25,504,440	7,164,059	236,046,133	468,255,266	6,395,438	1,023,433,031
Consists of:										
General Fund assets	148,555,584	22,492,531	459,993	108,559,587	25,504,440	7,164,059	236,046,133	-	586,834	549,369,161
Water and Wastewater assets	-	-	-	-	-	-	-	468,255,266	5,808,604	474,063,870
	148,555,584	22,492,531	459,993	108,559,587	25,504,440	7,164,059	236,046,133	468,255,266	6,395,438	1,023,433,031

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

21. Segment Disclosure

	General Government Services	Protective Services	Transportation Services	Water & Sewer Services	Environmental Health Services	Environmental Development Services	Recreational & Cultural Services	Energy Services	2019 Consolidated	2018 Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	125,704,831	-	-	-	-	-	-	-	125,704,831	123,443,042
Unconditional grant	16,279,669	-	-	-	-	-	-	-	16,279,669	15,659,510
Financial assistance	2,788,061	-	-	-	-	-	-	-	2,788,061	4,556,010
Other revenue from own sources	1,503,397	3,229,252	11,882,285	-	-	6,085,926	1,628,544	-	24,329,404	23,604,611
Miscellaneous revenue	651,047	-	28,049	-	-	61,791	-	-	740,887	421,081
Water & sewer revenue	-	-	-	45,592,250	-	-	-	-	45,592,250	44,590,627
Income from energy services	-	-	-	-	-	-	-	-	-	21,114,000
Contributions from others	436,411	38,434	253,762	-	-	925,772	-	-	1,654,379	2,877,350
	147,363,416	3,267,686	12,164,096	45,592,250	-	7,073,489	1,628,544	-	217,089,481	236,266,231
EXPENSES										
Salaries and benefits	12,065,037	47,739,933	21,016,344	12,080,485	1,262,919	8,959,916	5,104,155	-	108,228,789	115,158,102
Goods and services	8,874,036	6,151,378	12,347,977	15,038,991	2,001,511	10,487,427	4,171,653	-	59,072,973	61,470,263
Amortization of tangible assets	7,854,068	-	14,679,549	16,562,363	-	246,452	1,274,812	-	40,617,244	38,825,114
Interest and bank charges	3,593,183	-	761,562	3,269,780	-	80,138	117	-	7,704,780	8,056,689
Loss from energy services	-	-	-	-	-	-	-	10,046,000	10,046,000	-
	32,386,324	53,891,311	48,805,432	46,951,619	3,264,430	19,773,933	10,550,737	10,046,000	225,669,786	223,510,168
SURPLUS FOR THE YEAR	114,977,092	(50,623,625)	(36,641,336)	(1,359,369)	(3,264,430)	(12,700,444)	(8,922,193)	(10,046,000)	(8,580,305)	12,756,063

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

22. Reconciliation of Annual Surplus

	General Operating Fund \$	General Capital Fund \$	Water & Sewer Operating Fund \$	Water & Sewer Capital Fund \$	Trust Funds \$	Controlled Entities \$	Total \$
2019 Annual Surplus (Deficit)	37,384,262	(20,354,808)	15,190,749	47,683,620	116,244	(19,677,062)	60,343,005
Adjustments to annual surplus (deficit) for funding requirements							
Elimination of revenues and expenses between funds	(17,567,851)	22,039,088	(9,607,018)	36,931,511	-	9,351,631	41,147,361
Amortization expense	-	21,580,367	-	16,562,363	-	-	38,142,730
Revenue from donated assets	-	(1,225,004)	-	-	-	-	(1,225,004)
Second previous year's surplus	86,557	-	981,000	-	-	-	1,067,557
Sick leave expense	812,000	-	-	-	-	-	812,000
Post employment adjustment	(1,710,500)	-	-	-	-	-	(1,710,500)
Pension expense	(5,300,000)	-	-	-	-	-	(5,300,000)
Amortization of actuarial gain/loss	2,009,400	-	-	-	-	-	2,009,400
Long-term debt principal repayment	(15,116,676)	-	(6,368,000)	-	-	-	(21,484,676)
Long-term disability adjustment	(812,164)	-	-	-	-	-	(812,164)
Total adjustments to 2019 annual surplus (deficit)	(37,599,234)	42,394,451	(14,994,018)	53,493,874	-	9,351,631	52,646,704
2019 Annual Fund Surplus (deficit)	(214,971)	22,039,643	196,731	101,177,494	116,244	(10,325,431)	112,989,709

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

23. Controlled Entities Operations

	Saint John Transit Commission	Saint John Parking Commission	Develop Saint John	Harbour Station Commission	Aquatic Centre Commission	Trade and Convention Centre
	\$	\$	\$	\$	\$	\$
Total assets	30,440,798	23,816,860	81,412,649	1,751,273	322,371	(389,921)
Total liabilities	15,260,378	9,771,487	574,615	952,508	468,483	103,606
Accumulated surplus (deficit)	15,180,420	14,045,373	80,838,034	798,765	(146,112)	(493,527)
Total revenues	4,743,710	4,341,337	765,689	2,622,820	2,107,855	826,757
Total operating expenses	13,229,626	2,943,867	1,810,618	3,193,038	2,882,411	928,574
Annual surplus (deficit)	(8,485,916)	1,397,470	(1,044,929)	(570,218)	(774,556)	(101,817)

	Saint John Energy	Lord Beaverbrook	Saint John Free Public Library	Canada Games Foundation	2019 Consolidated	2018 Consolidated
	\$	\$	\$	\$	\$	\$
Total assets	40,755,000	243,604	1,253,246	7,391,338	186,997,218	200,618,676
Total liabilities	-	56,975	55,910	11,607	27,255,569	29,415,616
Accumulated surplus (deficit)	40,755,000	186,629	1,197,336	7,379,731	159,741,649	171,203,060
Total revenues	-	251,562	258,427	463,705	16,381,862	39,959,855
Total operating expenses	10,046,000	441,468	583,322	-	36,058,924	25,860,948
Annual surplus (deficit)	(10,046,000)	(189,906)	(324,895)	463,705	(19,677,062)	14,098,907

The above noted entities are included in the Consolidated Financial Statements. The results of Saint John Energy are included in the Consolidated Financial Statements using the modified equity method

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

24. Reconciliation of Funding Deficit Upon Adoption of PSAS

On January 1, 2017 the City adopted the use of PSAS. As a result, certain liabilities relating to employment benefits had to restated to reflect the adoption of the standards.

	Special Top-up Agreements \$	Heart and Lung \$	Retirement Allowances \$
Liabilities at December 31, 2016 as calculated on adoption of PSAS	1,035,500	5,133,600	4,517,400
Amount of December 31, 2016 liabilities funded in current year	54,700	(1,073,500)	403,700
Balance to be funded in future years	1,090,200	4,060,100	4,921,100

25. Subsequent Event

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time. While the City is unable to reliably estimate the impact, the length or the severity of these developments at this time, the City does not expect that the financial impact will have a material effect on the financial results and condition of the City in future periods.

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

26. Other Revenue and Expense Details

	2019 Budget (Unaudited) (Note 2) \$	2019 \$	2018 \$
REVENUE			
Other Revenues from Own Sources			
General government services	3,229,557	1,503,397	1,196,894
Protective services	2,621,888	3,229,252	2,906,894
Transportation services	12,824,910	11,882,285	12,142,519
Environmental development services	4,145,961	6,085,926	5,497,334
Recreational and cultural services	1,366,408	1,628,544	1,860,970
	24,188,724	24,329,404	23,604,611
Contributions from Others			
General government Services	-	436,411	1,372,310
Protective services	-	38,434	480,000
Transportation services	250,000	253,762	281,762
Environmental development services	1,096,002	925,772	743,278
	1,346,002	1,654,379	2,877,350
Government Transfers for Capital			
Infrastructure Canada - gas tax funding	-	2,512,951	1,446,615
Federal/Provincial clean waste water funding	-	2,204,137	3,029,571
Infrastructure Canada - SCDW	-	48,495,681	-
Infrastructure Canada - public transit funding	-	-	3,256,318
Regional Development Corporation	-	13,090,484	1,378,769
Other	-	417,256	168,352
	-	66,720,509	9,279,625
Other Contributed Assets for Capital			
Donated assets	-	1,225,004	75,201
Federation of Canadian Municipalities	-	923,767	82,400
Other	-	54,030	-
	-	2,202,801	157,601

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

26. Other Revenue and Expense Details (Continued)

	2019 Budget (Unaudited) (Note 2) \$	2019 \$	2018 \$
EXPENDITURES			
General Government Services			
Legislative			
Mayor's office	210,318	190,070	180,243
Common Council	534,190	478,157	429,253
	744,508	668,227	609,496
City Manager			
City manager	680,822	673,380	596,969
Corporate planning	607,996	536,453	449,352
Corporate communications	445,602	388,016	386,035
	1,734,420	1,597,849	1,432,356
Common Services			
City hall building	1,225,384	943,723	1,858,526
Property assessment	1,343,078	1,366,162	1,341,622
Public liability insurance	304,000	348,372	310,253
	2,872,462	2,658,257	3,510,401
Other			
Common clerk	583,705	569,140	555,626
Human resources	1,520,515	1,512,655	1,449,039
Finance	1,748,875	2,406,614	2,177,676
City solicitor	804,192	656,969	694,459
Materials management	1,113,424	1,171,860	1,117,304
Information systems and support	2,512,414	2,247,593	2,032,289
Insurance	203,081	165,201	174,396
Debt charges	18,252,781	3,593,183	3,794,763
Amortization	-	7,854,068	7,939,482
Post employment expenses	9,574,000	5,495,738	13,132,306
Other	2,030,151	1,751,496	10,240,634
Regional Services Commission	37,474	37,474	34,269
	38,380,612	27,461,991	43,342,243
Total General Government Services	43,732,002	32,386,324	48,894,496

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

26. Other Revenue and Expense Details (Continued)

	2019 Budget (Unaudited) (Note 2) \$	2019 \$	2018 \$
Protective Services			
Police Protection			
Police operations	15,741,734	15,129,893	15,348,119
Support services	1,981,054	1,573,891	1,493,241
Administration	1,773,555	1,995,988	2,060,276
Stations and buildings	1,047,368	923,036	931,292
Criminal investigations	4,432,850	4,570,677	4,437,358
Detention services	174,000	170,874	168,006
Automotive	907,978	611,968	649,076
	26,058,539	24,976,327	25,087,368
Fire Protection			
Fire operations	23,624,764	22,944,949	22,334,577
Fire investigation	73,294	60,268	57,809
Fire prevention	900,805	842,833	841,637
	24,598,863	23,848,050	23,234,023
Other Protective Services			
Inspection services	907,579	934,812	856,249
Enforcement services	367,769	434,824	369,143
Minimum standards	273,810	264,241	244,084
Dangerous buildings	510,788	410,743	656,210
Animal control	89,348	89,632	88,047
Emergency measures	333,939	384,867	511,845
Emergency dispatch centre	2,497,099	2,547,815	2,431,368
	4,980,332	5,066,934	5,156,946
Total Protective Services	55,637,734	53,891,311	53,478,337
Transportation Services			
Public Works			
Roads and sidewalks	16,121,443	13,208,362	12,033,043
Other drainage services	2,635,935	2,693,469	2,566,748
Street lighting	971,000	949,174	953,702
Municipal operations	541,256	504,727	473,443
Amortization	-	12,112,854	12,227,648
Flood 2018	-	-	480,000
	20,269,634	29,468,586	28,734,584

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

26. Other Revenue and Expense Details (Continued)

	2019 Budget (Unaudited) (Note 2) \$	2019 \$	2018 \$
General Engineering			
Transportation	553,919	550,711	313,527
Traffic engineering and systems	2,292,512	2,082,029	1,922,772
	2,846,431	2,632,740	2,236,299
Parking Administration			
Parking administration	617,565	506,135	495,664
	617,565	506,135	495,664
External Controlled Entities			
Saint John Transit Commission	10,375,560	13,254,104	12,935,820
Saint John Parking Commission	4,571,048	2,943,867	2,922,084
	14,946,608	16,197,971	15,857,904
Total Transportation Services	38,680,238	48,805,432	47,324,451
Water and Sewer Services			
Saint John Water & Wastewater			
Drinking water	17,149,000	14,107,169	9,732,616
Industrial water	2,583,000	1,511,160	1,090,946
Wastewater	11,054,000	9,288,025	9,357,067
Infrastructure management	820,000	702,471	421,584
Internal charges	905,000	185,823	265,541
Fiscal charges	17,459,335	4,594,608	4,794,339
Amortization	-	16,562,363	14,670,473
Total Water and Sewer Services	49,970,335	46,951,619	40,332,566
Environmental Health Services			
Sanitary Services	3,722,605	3,264,430	3,429,828
Total Environmental Health Services	3,722,605	3,264,430	3,429,828

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

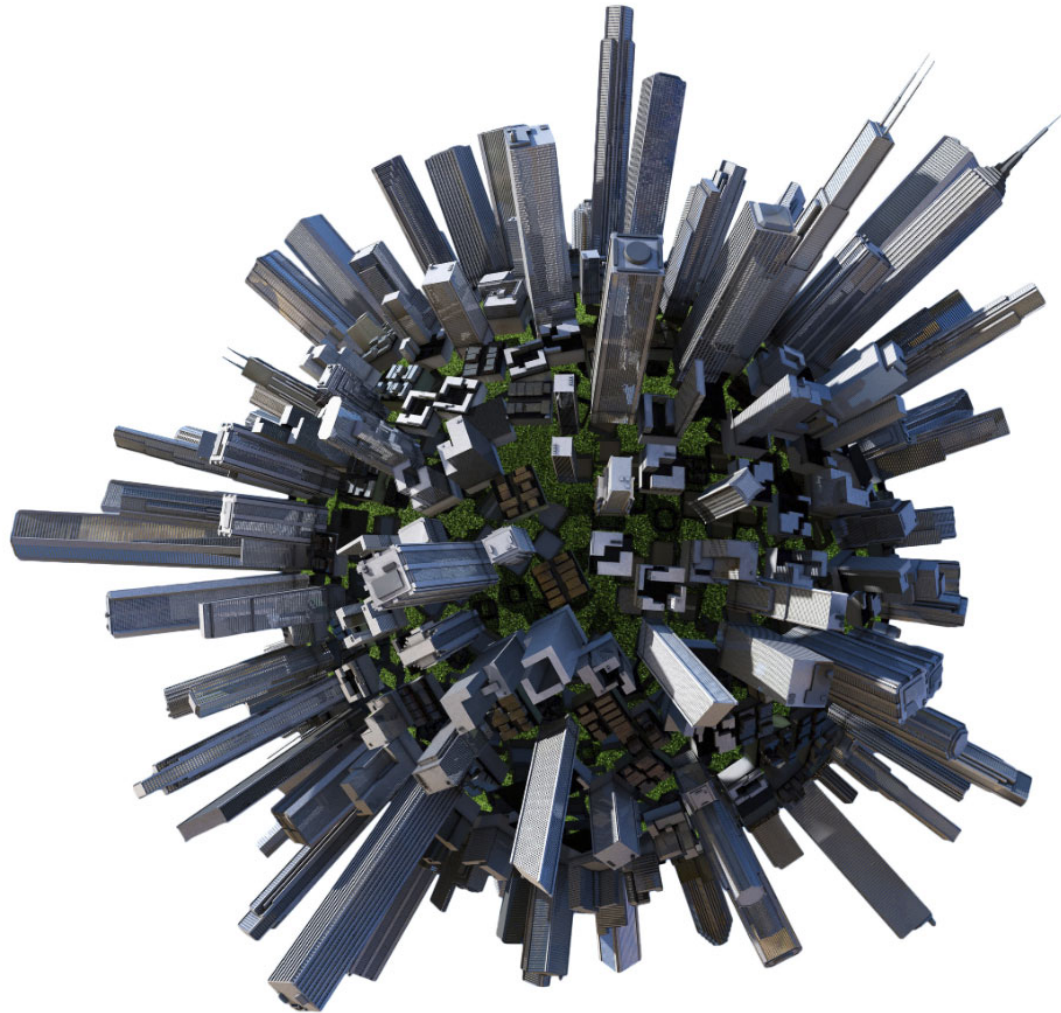
26. Other Revenue and Expense Details (Continued)

	2019 Budget (Unaudited) (Note 2) \$	2019 \$	2018 \$
Environmental Development Services			
Research and Planning			
Community planning	1,668,857	1,459,226	1,645,290
Succeed and stay	-	123,571	-
Plan SJ	120,048	53,648	23,369
	1,788,905	1,636,445	1,668,659
Administration and Geographic Information Systems (GIS)			
GIS	380,821	333,335	429,544
Carpenter shop	357,107	200,841	313,536
	737,928	534,176	743,080
Economic Development			
Growth reserve	350,000	42,500	2,607
Market Square common area	2,182,993	2,506,897	2,125,694
Regional economic development	475,000	475,000	475,000
Regional facilities	2,200,262	974,399	792,585
	5,208,255	3,998,796	3,395,886
Real Estate Management			
Property management	1,436,427	2,030,414	1,436,430
Real estate	268,384	262,074	662,966
	1,704,811	2,292,488	2,099,396
Other Environmental Development Services			
City Market	986,126	1,196,384	1,075,525
Tourism	1,033,495	1,033,495	1,033,495
Community development	190,936	267,508	214,449
	2,210,557	2,497,387	2,323,469
External Controlled Entities			
TD Station Commission	3,740,692	3,193,038	3,575,975
Aquatic Centre Commission	-	2,882,411	2,832,142
Trade and Convention Centre	930,356	928,574	895,266
Develop Saint John	2,404,495	1,810,618	1,258,150
	7,075,543	8,814,641	8,561,533
Total Environmental Development Services	18,725,999	19,773,933	18,792,023

The City of Saint John
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

26. Other Revenue and Expense Details (Continued)

	2019 Budget (Unaudited) (Note 2) \$	2019 \$	2018 \$
Recreational and Cultural Services			
Cultural Grants			
Other cultural grants	2,177,234	1,281,063	1,256,224
	2,177,234	1,281,063	1,256,224
Parks			
Rockwood Park	590,039	575,602	461,565
Parks general services	2,179,716	1,891,702	2,049,605
	2,769,755	2,467,304	2,511,170
Community Services			
Parks and playgrounds	309,178	208,259	199,000
Recreation and parks	265,628	228,906	249,944
Pro Kids	122,371	109,863	104,437
	697,177	547,028	553,381
Other Recreational and Cultural Services			
Sports and recreation	3,529,263	3,638,307	3,491,475
Community centres	653,332	677,854	689,194
Cultural affairs	108,347	103,284	55,259
Amortization	-	1,274,812	1,228,251
	4,290,942	5,694,257	5,464,179
Externally Controlled Entities			
Lord Beaverbrook Rink	435,550	441,468	432,771
Saint John Free Public Library	-	583,322	582,071
Canada Games Foundation	-	(463,705)	458,671
	435,550	561,085	1,473,513
Total Recreational and Cultural Services	10,370,658	10,550,737	11,258,467
TOTAL EXPENDITURES	220,839,571	215,623,786	223,510,168



The City of Saint John Report to the Finance Committee on the 2019 audit

Presented to Finance Committee on July 23, 2020



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July 23, 2020

To the Finance Committee of the City of Saint John

Report on audited annual financial statements

Dear the Finance Committee Members:

We are pleased to submit this report on the status of our audit of the City of Saint John ("the City") for the 2019 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our master service agreement dated February 22, 2019, we have performed an audit of the financial statements of The City of Saint John as of and for the year ended December 31, 2019, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report once all work is finalized and the statements are approved.

This report is intended solely for the information and use of the Finance Committee, management and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties. We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

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Our audit explained

This report summarizes the main findings arising from our audit.

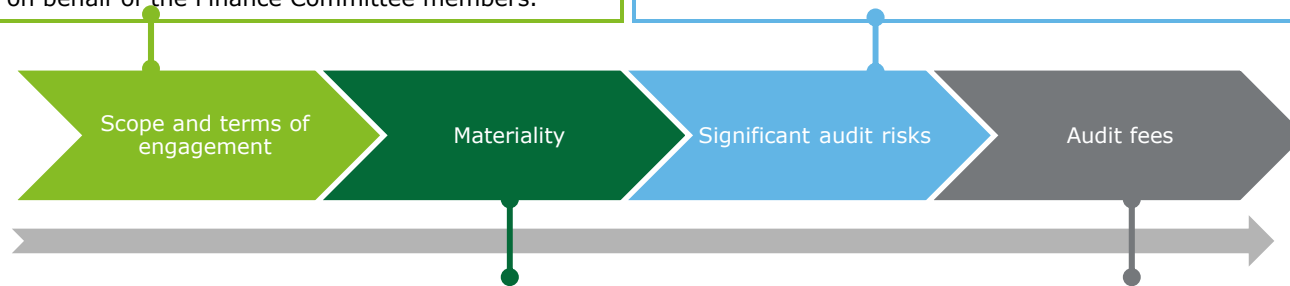
Audit scope and terms of engagement

We have been asked to perform an audit which includes the City's consolidated financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2019. Our audit was conducted in accordance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

The terms and conditions of our engagement, including our responsibilities for any additional audit-related services you have asked us to provide, are described in the master service agreement dated February 22, 2019, which was signed by management on behalf of the Finance Committee members.

Significant audit risks

Through our risk assessment process, we have identified the significant audit risks. These risks of material misstatement and related audit responses are discussed in the Significant Risks section of this report.



Materiality

We are responsible for providing reasonable assurance that your financial statements as a whole are free from material misstatement.

Materiality levels are determined on the basis of total revenues. Our materiality for the consolidated financial statements the year ended December 31, 2019 was \$7,300,000 (2018 - \$6,900,000).

We have informed the Finance Committee of all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we asked that any misstatements be corrected.

Audit fees

Our audit fees for the year ended December 31, 2019 will be \$64,450 in accordance with our agreement dated September 6, 2018.

Status and outstanding matters

We expect to be in a position to render our audit opinion dated on July 23, 2020 the financial statements of the City following approval of the financial statements by the Finance Committee, Council members, and the completion of the following outstanding procedures:

- Receipt of signed management representation letter
- Confirmation of subsequent events
- Verbal discussion with City solicitor
- Finalization of quality assurance
- Minor documentation items

Uncorrected misstatements

There were no uncorrected misstatements during the engagement any misstatements detected in our audit have been corrected by management.



Going concern

Management has completed its assessment of the ability of the City to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern. We agree with management's assessment.

Business insights

During the course of our audit, we examined the accounting and taxation procedures and internal controls employed by the City. We have identified and included in Appendix 3 certain matters, including control deficiencies if any, that we consider to be of interest to The Finance Committee.

Uncorrected disclosure misstatements

In accordance with Canadian GAAS, we request that all disclosure misstatements be corrected. We conclude that there are no material or significant disclosures omitted from the consolidated financial statements.

Audit considerations during COVID-19

Travel restrictions, office closures, and other logistical challenges arising from the COVID-19 pandemic have and will continue to impact how our clients execute their accounting and reporting functions. Similarly, as auditors, we will likely face practical challenges in obtaining audit evidence in the same manner, and of the same type, that we may have historically. Globally, our audit teams are adapting to this reality to ensure we continue to serve our clients and the public interest with distinction.

As always, it has been imperative that we exercise appropriate professional skepticism to conclude whether sufficient appropriate audit evidence has been obtained. A heightened sense of professional skepticism is needed as we evaluate changes to our clients' businesses, and the impact of those changes on the areas we audit.

Below are just a few examples of how COVID-19 can impact our audits and the innovative solutions we have applied to the audit of the City.

Challenge	Consideration
How do you maintain professional skepticism when face-to-face interactions are restricted?	During the audit we combined inspection of documentation with inquiry through discussion or videoconference with the finance team.
Confidentiality and Privacy Considerations	We were required to observe the security and confidentiality of the City's data and we used when possible only Deloitte-approved communication and sharing tools. In addition, we were able to use consultation that were available to teams, when circumstances and judgments were difficult, no significant matters were noted within the audit. Deloitte used Deloitte Connect to conduct the 2019 audit.
Considerations when Evaluating Scanned Evidence	We validated details included within scanned document with another source (e.g., internet search of third-party address included on the invoice, or confirmation with a 3 rd party). We confirmed that no information was cut off and all pages excepted to be scanned were included and accurate (e.g., inspect page count).

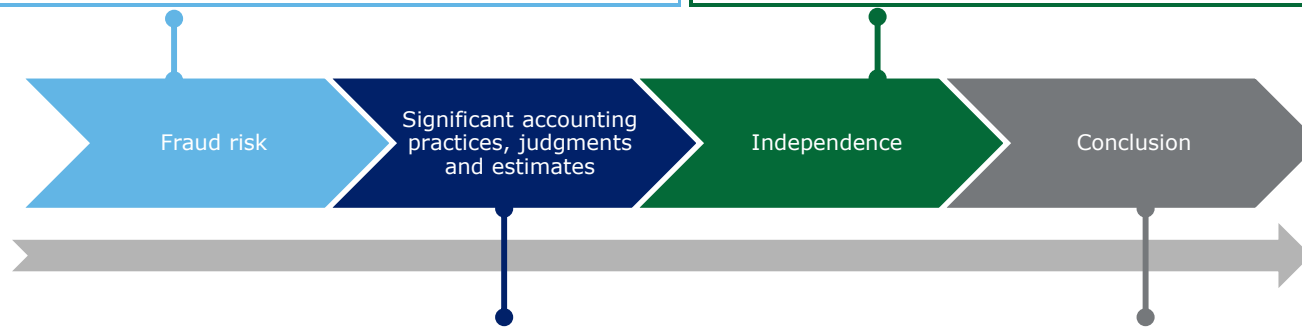
Fraud risk

A summary of the results of our audit procedures designed to address the risk of material misstatement in the financial statements relating to fraud is provided in the Significant audit risks section of this report.

Based on the audit evidence obtained, our assessment of the risks of material misstatement due to fraud remain appropriate.

Independence

We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.



Significant accounting practices, judgments and estimates

The significant accounting practices, judgments and estimates include:

- Allowance for doubtful accounts
- Tangible capital assets – useful lives, amortization, and impairment
- Accounts payable accruals
- Assumptions relating to pension plans

Our assessment of these items is included in the Significant accounting practices, judgments and estimates section of this report.

Conclusion

In accordance with Canadian GAAS, our audit is designed to enable us to express an opinion on the fairness of the presentation of the City's annual financial statements prepared in accordance with PSAS.

No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.











We intend to issue an unmodified audit report on the financial statements of the City for the year ended December 31, 2019 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Finance Committee and Council.

A draft version of our auditor's report is included in Appendix 2.

Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Significant risk dashboard

Audit risk	Fraud risk	Assessment of the design and implementation of internal controls	Results of the testing of the operating effectiveness of internal controls	Results of the substantive testing	Results of the use of experts	Overall conclusion
Management override of controls						Satisfactory
Presumed risk of fraud on revenue recognition for property taxes, unconditional grants and other revenue						Satisfactory



Addressed during the audit



An issue was identified



Not applicable

Management override of controls

Audit risk

Management is in a unique position to override internal controls, which could allow manipulation of the accounting records that could result in financial statements that are materially misstated.

This represents a fraud risk for the 2019 audit for occurrence, accuracy and cutoff.

Our audit response

- We discussed fraud with management.
- We tested a sample of journal entries made throughout the period, and adjustments made at the end of the reporting period.
- We evaluated the business rationale for any significant unusual transactions.
- We determined whether the judgements and decisions related to management estimates indicate a possible bias, which included performing retrospective analysis of significant accounting estimates.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Presumed risk of fraud on revenue recognition for property taxes, unconditional grants and other revenue

Audit risk

Under Canadian GAAS, we are required to evaluate the risk of fraud in revenue recognition. We have evaluated the revenue transactions, and we have concluded that the significant risk is that revenue may have been recorded in the incorrect period.

This represents a fraud risk for the 2019 audit.

Our audit response

- We evaluated the design and implementation of the internal controls that address this risk. We did not rely on controls.
- We confirmed balances with third parties when possible to ensure that the revenue recorded was appropriate. When not possible we detail tested the revenue streams and ensured that proper revenue recognition criteria were met and that the transactions were recorded in the proper period.

Audit results

We concluded that the internal controls were designed and implemented appropriately.

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Finance Committee as part of the audit plan.

	Comment				
Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Finance Committee. We confirm that there have been no significant amendments to the audit scope and approach communicated in the audit plan.				
Use of the work of specialists and experts	As planned, external specialists and experts assisted in the audit to the extent we considered necessary: <table> <tr> <td>IT specialists:</td><td>Participated in evaluating internal controls and in using our computerized audit applications</td></tr> <tr> <td>Actuarial experts:</td><td>Helped assess the adequacy of the shared risk pension plan</td></tr> </table>	IT specialists:	Participated in evaluating internal controls and in using our computerized audit applications	Actuarial experts:	Helped assess the adequacy of the shared risk pension plan
IT specialists:	Participated in evaluating internal controls and in using our computerized audit applications				
Actuarial experts:	Helped assess the adequacy of the shared risk pension plan				
Significant difficulties encountered in performing the audit	We did not encounter any significant difficulties while performing the audit. There were no significant delays in receiving information from management required for the audit nor was there an unnecessarily brief timetable in which to complete the audit.				
Related party transactions	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure.				
Disagreements with management	In the course of our audit, we did not encounter any disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.				
Consultation with other accountants	Management has informed us that the City has not consulted with other accountants about auditing or accounting matters.				
Legal and regulatory compliance	Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the City.				
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events.				

Group audit

Entity	Significance	Other auditors
The City of Saint John General Operating Fund (includes Saint John Police Commission)	Significant	Deloitte
The City of Saint John Capital and Loan Fund	Significant	Deloitte
The City of Saint John Water and Sewerage Utility Operating Fund	Significant	Deloitte
The City of Saint John Water and Sewerage Capital and Loan Fund	Significant	Deloitte
Saint John Parking Commission	Significant	Deloitte
Harbour Station Commission	Significant	Deloitte
Saint John Transit Commission	Significant	Deloitte
Develop Saint John	Significant	Deloitte
Power Commission of Saint John	Significant	KPMG
Saint John Trade and Convention Centre	Non – Significant	Deloitte
Lord Beaverbrook Rink	Non – Significant	Frank Ashe
Saint John Aquatic Centre Commission	Non – Significant	Deloitte
Saint John Free Public Library	Non – Significant	Deloitte

No restrictions have been placed on the scope of our audit. In performing the audit, we were given full and complete access to the accounting records, supporting documentation and other information requested.

Appendix 1 – Communication requirements

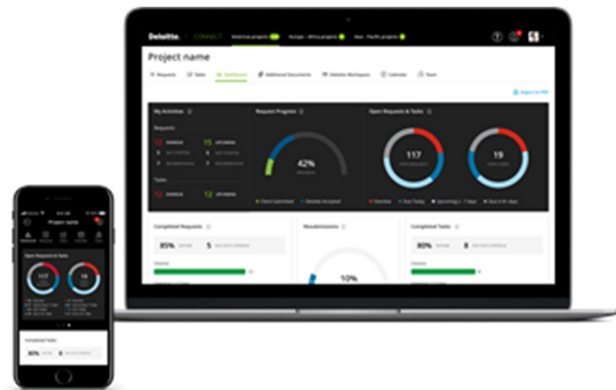
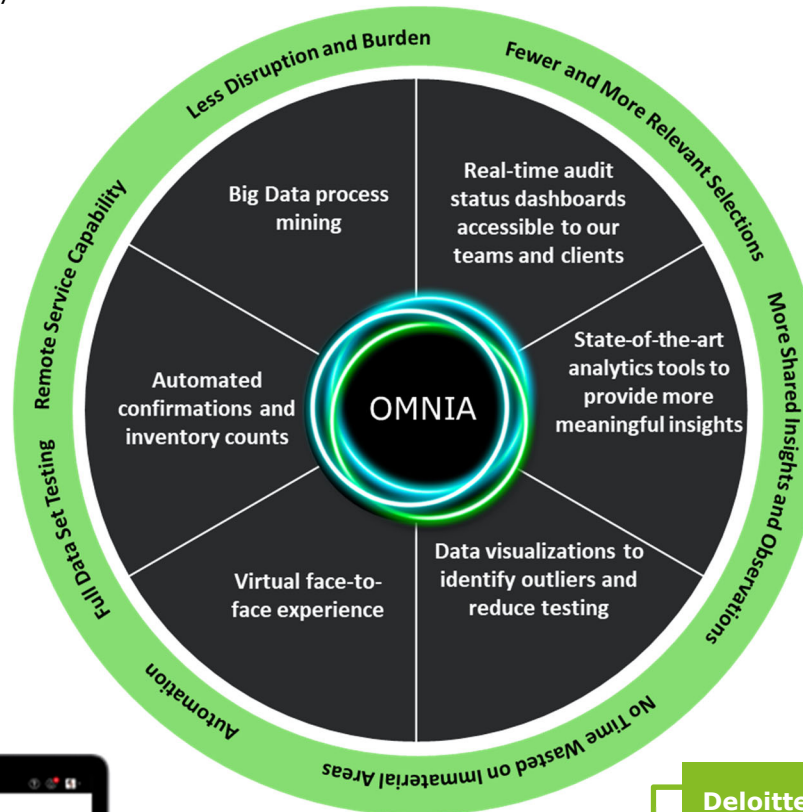
Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14	Engagement letter
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk d. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit 	CAS 260.15	Audit plan communicated in fall 2019.
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	The City has properly identified, accounted for, and disclosed its relationships and transactions with related parties in the consolidated financial statements.
Year end communication		
4. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	Significant Accounting practices, judgements and estimates.
6. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	Significant Accounting practices, judgements and estimates.

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference	Refer to this report or document described below
7. Matters related to going concern	CAS 570.23	We concluded that there was no substantial doubt about the City's ability to continue as a going concern.
8. Management judgments and accounting estimates	CAS 260.16 a.	Significant Accounting practices, judgements and estimates
9. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	No significant difficulties to report.
10. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Management representation letter
11. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16d.	No other matters to report.
12. Modifications to our opinion(s)	CAS 260.A18	We will issue an unmodified opinion.
13. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A19	Consultation with other accountants, chartered professional accountants or other experts
14. Significant matters discussed with management	CAS 260.A.19	Consultation with other accountants, chartered professional accountants or other experts
15. Illegal or possibly illegal acts that come to our attention	CAS 250.23	We are not aware of any illegal acts.
16. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	No deficiencies to report.
17. Uncorrected misstatements and disclosure items	CAS 450.12-13	In accordance with Canadian GAAS, we request that all misstatements be corrected. No uncorrected misstatements and uncorrected disclosure to report.

COVID-19 Working remotely

What makes Deloitte’s audit different going forward is that with our technology platform, we focus efforts on what actually matters rather than taking a “needle in a haystack” random sampling approach. Through consistent processes and capabilities within our global audit platform, Omnia, we facilitate a better client experience by focusing on what matters, reducing client burden, and delivering value. How would this look and feel different for you?



Deloitte Connect

One centralized collaboration portal where you can quickly drag and drop files, ask clarifying questions, get reminders. You have visibility into audit and request status on real-time dashboards, whether on your computer or on a mobile app.

Appendix 2 – Draft version of our auditor's report

Our report on the financial statements is expected to be in the following form.



Independent Auditor's Report

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To His Worship the Mayor and Members of Common Council of
The City of Saint John

Opinion

We have audited the financial statements of The City of Saint John (the "City"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, and accumulated surplus, change in net debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2019, and the results of its operations, its accumulated surplus, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Saint John, NB

Date

Appendix 3 – Letter of recommendations and business insights

Dear Finance Committee:

We have recently completed our audit of the consolidated financial statements of the City for the year ended December 31, 2019.

Our audit was designed to provide a cost-effective basis for formulating an opinion on your consolidated financial statements. As part of our examination, we reviewed and evaluated relevant aspects of the systems of internal control and the accounting systems to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian GAAS.

The main purpose of our systems review was to assist in determining the nature, extent and timing of our audit tests and to establish the degree of reliance, which we could place on selected controls; it was not to determine whether internal controls were adequate for management's purposes. While the audit did not include an in-depth evaluation of all systems or all aspects of any individual system and should not, therefore, be relied upon to identify all significant internal control deficiencies, or all errors, irregularities or inefficiencies that might occur, we undertake to report such matters to you when they come to our attention. Our comments relating to these and other matters are attached.

Observation 1: Outdated policies (Medium risk)

Management has not updated the Information Security Policy in eight (8) years or the Internet Acceptable Use Policy in over ten (10) years. We noted that Ian MacKinnon is the authorized contact within the Internet Acceptable Use Policy, however, he has not been in the relevant position for several years.

Implication

The policies may not be keeping pace with changes in technology or risks within the environment. Outdated contact details within the policies increases the difficulty for employees to reach appropriate individuals when there are reportable incidents or they require information. With the recent increase in cybersecurity breaches and the reality that most breaches occur due to employees not being vigilant or aware of various types of phishing schemes, it is important that the City update these policies in 2020.

Recommendation

We recommend that the Information Security Policy and Internet Acceptable Use Policy be reviewed and updated to reflect up to date information as well as the current cybersecurity landscape.

Observation 2: Lack of evidence of formal user access review (Medium risk)

There is no documentation retained for the periodic user access reviews for Navaline SunGuard and Active Directory.

Implication

There may be unauthorized access to the application that is not documented and reviewed. The risk of unauthorized access is mitigated by the fact that an informal user review is conducted, however evidence is not maintained.

Recommendation

We recommend that management prioritizes completion of the current initiative in progress to formalize user access review and define measures to document the result.

Observation 3: Consolidation process and documentation

Through discussions with the finance department it was determined that there is a need for audit trail documentation around the consolidation of all the entities included in the consolidated financial statements

Implication

There is a risk of consolidation entries and adjusting journal entries being missed as there are several steps required to ensure that all aspects are properly captured through the consolidation process.

Recommendation

We recommend with the numerous agencies, commissions and boards preparing a component grid to allow proper mapping of all balances included in the consolidated financial statements.

Appendix 4 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

<input type="checkbox"/> Canada's Best Managed Companies (www.bestmanagedcompanies.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO 	The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.
<input type="checkbox"/> Centre for financial reporting (www.cfr.deloitte.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO • Controller • Financial reporting team 	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
<input type="checkbox"/> Financial Reporting Insights (www.iasplus.com/fri)	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team 	Monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
<input type="checkbox"/> On the board's agenda	<ul style="list-style-type: none"> • Directors • CEO/CFO 	Bi-monthly publication examining a key topic in detail, including the perspectives of a Deloitte professional with deep expertise in the subject matter as well as the views of an experienced external director.
<input type="checkbox"/> State of change (www.iasplus.com/StateOfChange)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Bi-monthly newsletter providing insights into key trends, developments, issues and challenges facing the not-for-profit sector in Canada, with a Deloitte point of view.
<input type="checkbox"/> Deloitte Financial Reporting Update (www.deloitte.com/ca/update)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.

Financial Statements

The City of Saint John Trust Funds

December 31, 2019

Draft

Independent Auditor's Report

To His Worship the Mayor and Members of Common Council of
The City of Saint John

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The City of Saint John Trust Funds ("City"), which comprise the statement of financial position as at December 31, 2019 the statements of changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2019, and the results of its operations, its accumulated surplus, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
Saint John, NB
Date

**The City of Saint John
Reserve and Trust Funds
As at December 31, 2019**

STATEMENT OF FINANCIAL POSITION

	Trust Funds					Total 2019	Total 2018
	Tucker Fund	Stockford Memorial Fund	O'Connell Fund	L.R. Ross Fund	A. Carle Smith Fund	Bi- Centennial Fund	
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Cash	253,525	73,107	93,132	14,256	41,083	—	482,342
Term deposits, at cost	—	—	—	—	—	1,784	1,770
Accrued receivable	—	—	—	—	—	—	—
	253,525	73,107	93,132	14,256	41,083	1,784	484,112
LIABILITIES							
Accounts payable	—	—	(343)	—	—	—	(343)
NET ASSETS	253,525	73,107	92,789	14,256	41,083	1,784	483,769

The accompanying notes are an integral part of these financial statements

Signed on Behalf of the Council

Mayor: _____ Chair of Finance Committee _____

The City of Saint John
Reserve and Trust Funds
For the year ended December 31, 2019

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

	Tucker Fund	Trust Funds					Total 2019	Total 2018
		Stockford Memorial Fund	O'Connell Fund	L.R. Ross Fund	A. Carle Smith Fund	Bi-Centennial Fund		
	\$	\$	\$	\$	\$	\$	\$	\$
Increase in net assets								
Investment income	5,718	1,590	2,065	310	893	14	10,590	8,795
	5,718	1,590	2,065	310	893	14	10,590	8,795
Decrease in net assets								
Contributions to other entities	15,750	—	2,065	—	—	—	17,815	1,716
	—	—	2,065	—	—	—	17,815	1,716
Increase (decrease) in net assets during the year	(10,032)	1,590	—	310	893	14	(7,225)	7,079
Net Assets, beginning of year	263,557	71,517	92,789	13,946	40,190	1,770	483,769	476,690
Net Assets, end of year	253,525	73,107	92,789	14,256	41,083	1,784	476,544	483,769

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOW

	2019 \$	2018 \$
Operating activities		
Excess of investment income over expenditure	10,590	8,795
Changes in non-cash working capital:		
Term deposits	(14)	(13)
Accrued receivable	—	1,318
Accounts payable	—	125
Investment activities		
Contributions to other entities	(17,815)	(1,716)
Net (decrease) increase in cash	(7,239)	8,509
Cash, beginning of year	482,342	473,833
Cash, end of year	475,103	482,342

The accompanying notes are an integral part of these financial statements

The City of Saint John - Reserve and Trust Funds

Notes to the financial statements

For the year ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City are the representations of the City's Management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Chartered Professional Accountants of Canada Public Sector Accounting Board.

Revenue

Investment income is recognized on an accrual basis when earned.

Expenses

Expenses are recorded on an accrual basis.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities.

Financial Instruments

The Trust Fund's financial instruments consist of cash, term deposits, and accounts payable. Financial instruments are recorded at fair value when acquired. Financial assets with actively traded markets are reported at fair value, with any unrealized gains or losses reported in excess (deficiency) of revenue over expenditure. Financial instruments are tested for impairment at each reporting date.

The Reserve and Trust Funds are exposed to interest rate risk in that the value of the marketable securities can be adversely affected by a change in interest rates.

2. TRUST FUNDS

Tucker Fund

By an Act of the Legislature enacted on April 20, 1927, securities with a par value of \$10,000 were vested with the City of Saint John. This Act provided that the income and a portion of the principal from this Trust, with the approval of Common Council, should be used for the maintenance and improvement of Tucker Park.

The City of Saint John - Reserve and Trust Funds

Notes to the financial statements

For the year ended December 31, 2019

2. TRUST FUNDS (continued)

Stockford Memorial Fund

This fund was established on December 28, 1939 as a result of a bequest of \$3,000 from Fannie M. Stockford of Boston, Massachusetts. This amount was to be invested and the annual income was to be used towards the upkeep and maintenance of King Square.

O'Connell Fund

This fund was established on March 22, 1939 with a contribution of \$2,000 from J.D. O'Connell. The contribution was to be invested and the income distributed among the orphanages of the City on the prorata basis of the children cared for by each, to be given by way of a Christmas gift to each child. In October 2004, this agreement was amended to allow the Trustees to disburse the income arising from the trust investments yearly to the Empty Stocking Fund.

L.R. Ross Fund

This fund was established in 1921 through the gift of \$1,250 and the "Ross Memorial Cup". The Cup was to be competed for annually by amateur single scullers, aged twenty-one years or under who are residents of the Maritime Provinces. The income from this Trust was to be used to provide a duplicate cup for the winner of each race held. Changes to the Trust in 1986 now allow for the funds to be used to promote the sport of rowing within the City of Saint John and its suburban communities, provided that an amount of \$4,000 remains in the fund to enable the "Ross Memorial Cup" to be duplicated when necessary.

A. Carle Smith Fund

Established in September 1976, funds were received from the estate of A. Carle Smith. These funds are to be used for the maintenance of a wildlife sanctuary in the South Bay area.

Bi-Centennial Funds

These funds are to be used for ceremonies marking the 200th anniversary of Canada in the year 2067.

Statement of revenue and
expenses of
The City of Saint John
Saint John Trade and Convention
Centre

December 31, 2019

Independent Auditor's Report	1-2
Statement of revenue and expenses	3
Notes to the financial statement	4

Independent Auditor's Report

To the Mayor and Common Council of
The City of Saint John

Opinion

We have audited the accompanying statement of revenue and expenses of The City of Saint John Saint John Trade and Convention Centre (the "Centre"), for the year ended December 31, 2019, and other explanatory information (the "financial statement"). This financial statement was prepared by management in accordance with the provisions of the management agreement between The City of Saint John (the "City") and Hilton Canada Co. dated June 1, 1984 with an amendment dated September 4, 2014.

In our opinion, the accompanying financial statement of the Company for the year ended December 31, 2019 are prepared, in all material respects, in accordance with the provisions of the management agreement between the City and Hilton Canada Co. dated June 1, 1984 with an amendment dated September 4, 2014.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company in complying with the provisions of the management agreement between The City of Saint John (the "City") and Hilton Canada Co. dated June 1, 1984 with an amendment dated September 4, 2014.

As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statement in accordance with the provisions of the management agreement between the City and Hilton Canada Co. dated June 1, 1984 with an amendment dated September 4, 2014, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
Date of auditor's report

The City of Saint John
Saint John Trade and Convention Centre
Statement of revenue and expenses
Year ended December 31, 2019

	Note	2019 Budget \$	2019 Actual \$	2018 Actual \$
		(Unaudited)		
Revenue	1			
Commissions on food and beverage sales and sundry revenue		278,000	271,678	205,156
Room rental		161,000	186,318	150,820
		439,000	457,997	355,976
Direct expenses				
Wages and benefits		202,018	208,523	215,194
Laundry		19,500	23,680	24,064
Supplies		28,000	22,778	20,752
Operating equipment and uniforms		2,000	1,262	1,171
		251,518	256,243	261,180
		187,482	201,754	94,796
Overhead expenses				
Salaries and benefits		544,310	522,360	504,822
Outside services		42,564	39,508	38,958
Advertising and promotion		19,320	16,055	16,693
Cleaning and maintenance		19,900	15,968	15,131
Miscellaneous expense		120	39,224	12,129
Telecommunication		12,000	10,700	11,756
Garbage removal		10,354	10,350	9,488
Legal and audit		8,500	8,502	8,509
Equipment rental		1,700	3,448	6,739
Travel and training		5,000	5,366	5,590
Postage, printing and stationery		4,525	2,328	5,078
Entertainment		1,800	510	4,111
Water heating charges		3,000	5,571	3,719
Gas		4,200	4,942	3,157
Licenses		1,345	1,443	1,471
Dues and subscriptions		200	—	677
		678,838	686,274	648,029
Operating deficit for the year		(491,356)	(484,521)	(553,233)
Operating expenses not paid directly by the Centre				
Management fee		193,008	193,008	191,891
HVAC utility/maintenance		133,666	133,666	103,916
Real estate tax		84,139	84,139	82,594
Electricity		31,833	31,833	32,001
		442,646	442,646	410,402
Total expenses		1,373,002	1,385,163	1,319,611
Total deficit for the year		(934,002)	(927,167)	(963,635)

The accompanying notes are an integral part of the financial statements.

1. Revenue

Under the terms of the management agreement dated June 1, 1984, with amendment dated September 4, 2014, Hilton Canada Co. pays to the Saint John Trade and Convention Centre ("Centre") a percentage of gross revenue for food and beverage with cost of sales, including product and labour costs, being the responsibility of Hilton Canada Co.

The Centre is responsible for all other operating costs.

2. Management agreement – Saint John Trade and Convention Centre

This financial statement has been prepared in accordance with the provisions of the management agreement between the City of Saint John (the "City") and Hilton Canada Co.

The Centre is owned by the City and managed by Hilton Canada Co. under an amended management agreement dated September 4, 2014. The original agreement dated June 1, 1984 had a 20 year term with options to renew for three consecutive 10 year periods. One 10 year renewal period remains. According to the terms of this agreement, the City is responsible for the operating loss of the Centre. In addition to the operating loss under this agreement, the City incurs common area costs and management fees which are reflected in the general operating fund of the City's consolidated financial statements.

With the establishment of the Greater Saint John Regional Facilities Commission in 1998, operating deficits, management fees and property taxes included in common area costs are shared with the municipalities making up the Greater Saint John Regional Facilities Commission. These costs are allocated in proportion to the tax bases of the municipalities.

3. Recording of assets and liabilities

The City's investment in the structure and related equipment, furnishings and fixtures is reported on the Capital and Loan Fund balance sheet of the City.

4. Greater Saint John Regional Facilities Commission Act

Under the regional Greater Saint John Regional Facilities Commission Act, pursuant to 87(2)(a) of the Municipalities Act, councils of the participating communities of Grand Bay Westfield, Quispamsis, Rothesay and Saint John are required to pay contributions towards the operation of regional facilities, which include the Centre. The amount of contribution is calculated on the net operating cost for each facility covered under the Municipalities Act, in proportion to the tax base of the contributing municipality.

5. Budget figures

The 2019 budget figures that are presented on the Statement of revenue and expenses for comparison with the actual figures were provided by the Centre's management and have not been audited.



General Fund COVID-19 Financial Impact Update

Finance Committee July 23rd, 2020

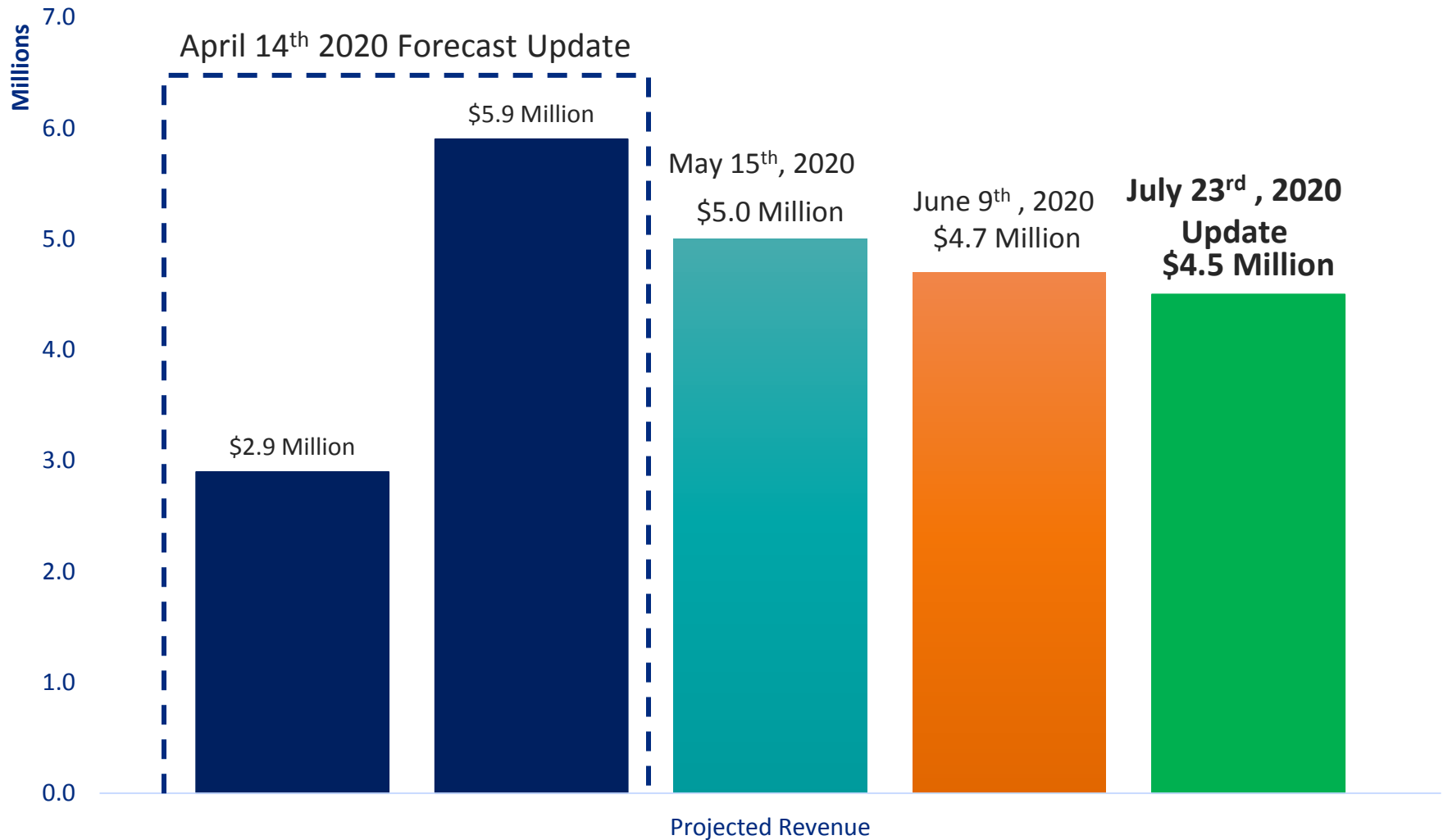


SAINT JOHN

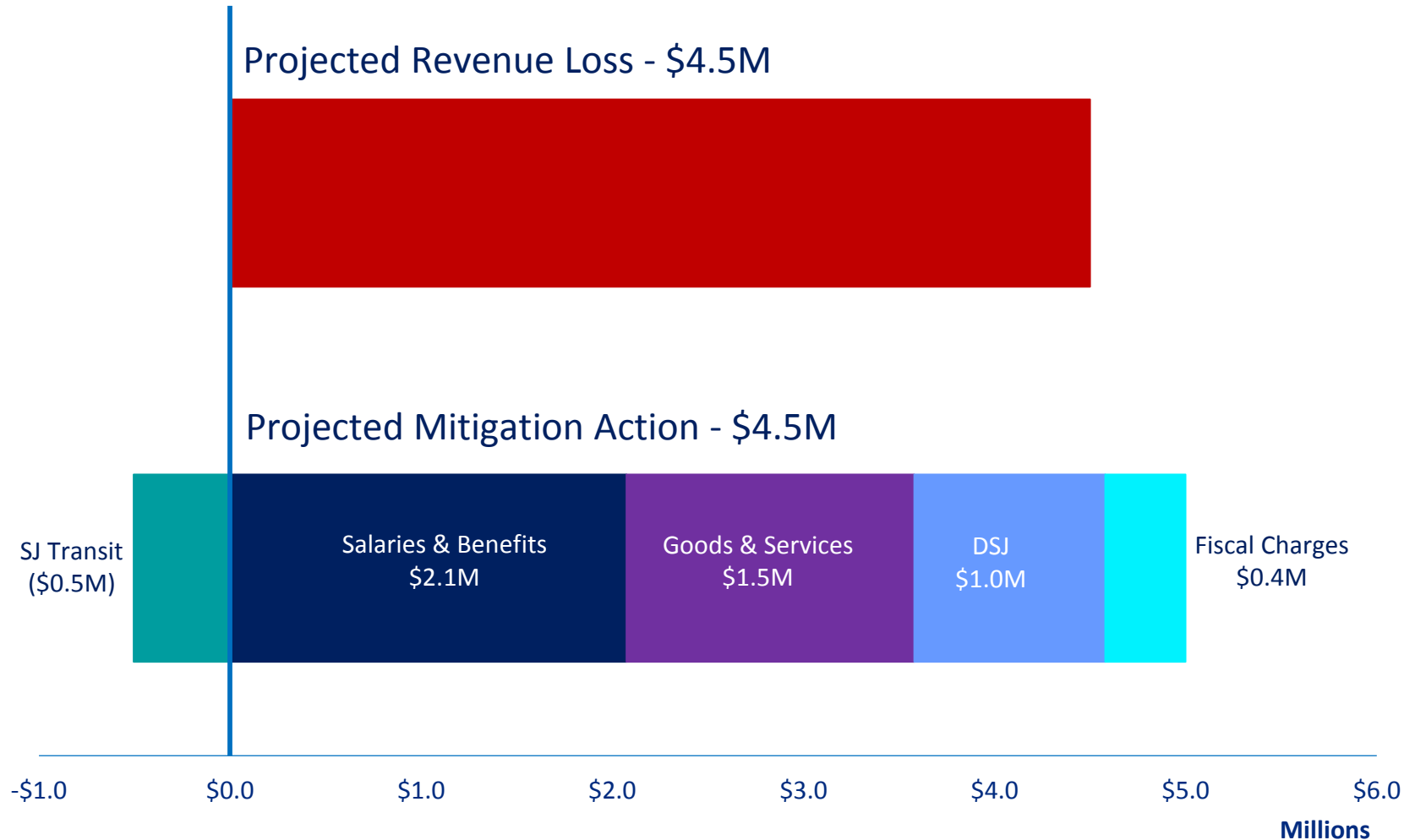
Changes from Previous Update

- NB & Canada continues to be effective in containing the virus:
 - World over 15,000,000 cases
 - US over 4,000,000 cases
 - Canada over 110,000 cases
 - New Brunswick over 170 cases
- Positive changes for the economic environment such as the “Atlantic Bubble”
- Forecast takes into account June actual results and includes restructuring costs
- Results continue to trend in a positive manner

Estimated Financial Impact

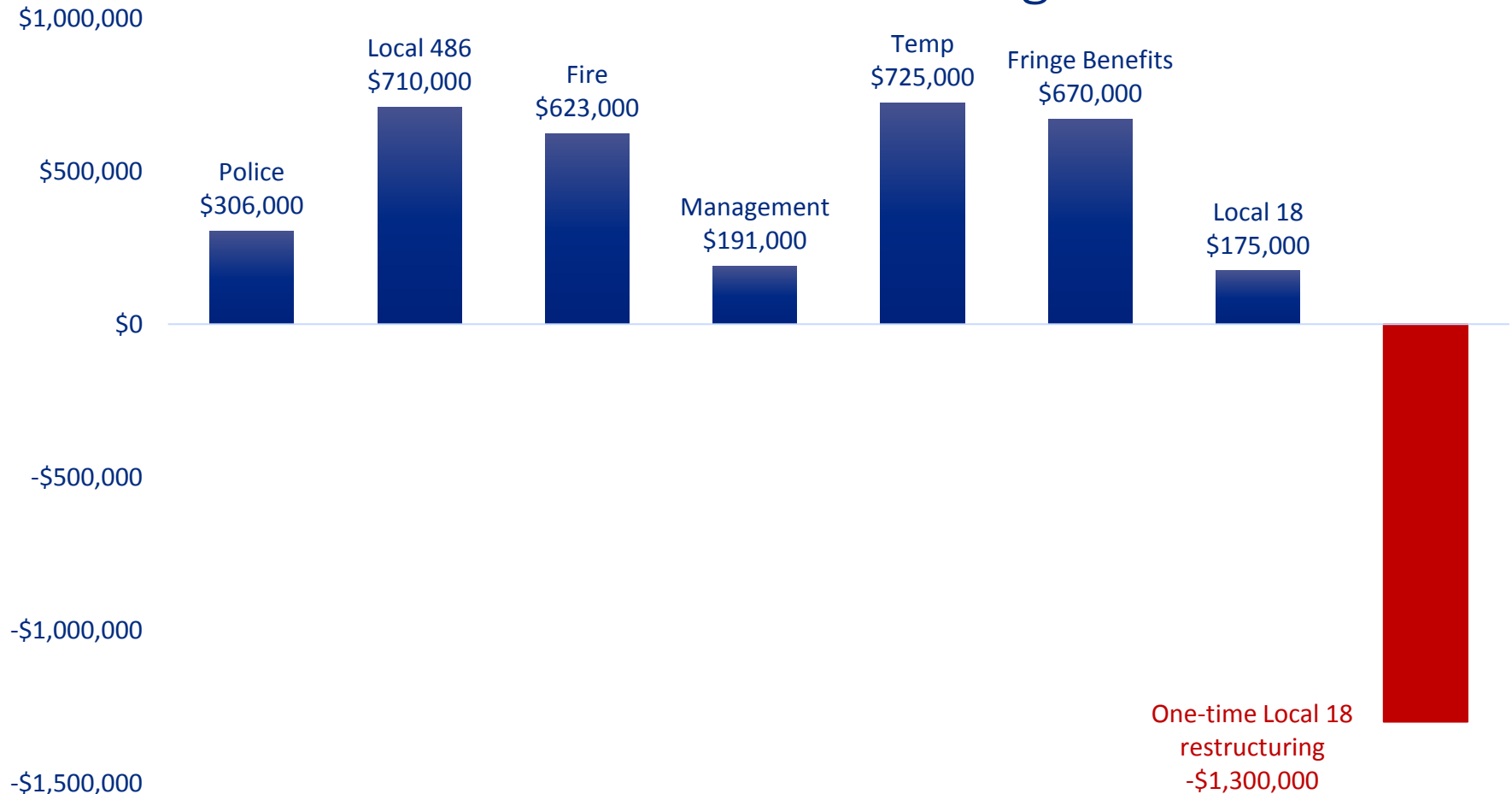


Revenue Loss Mitigation Plan



Wages and Benefits - \$2.1M

2020 Estimated Savings



Conclusion

- It is estimated that the City of Saint John will mitigate loss revenues with cost savings.
- We continue to monitor results very closely as more information emerges
- The City will look to additional cost mitigation efforts if necessary
- To further alleviate risk, it is recommended that the cost mitigation strategy be adjusted to reduce the Saint John Transit projected deficit

Saint John Transit Financial Update

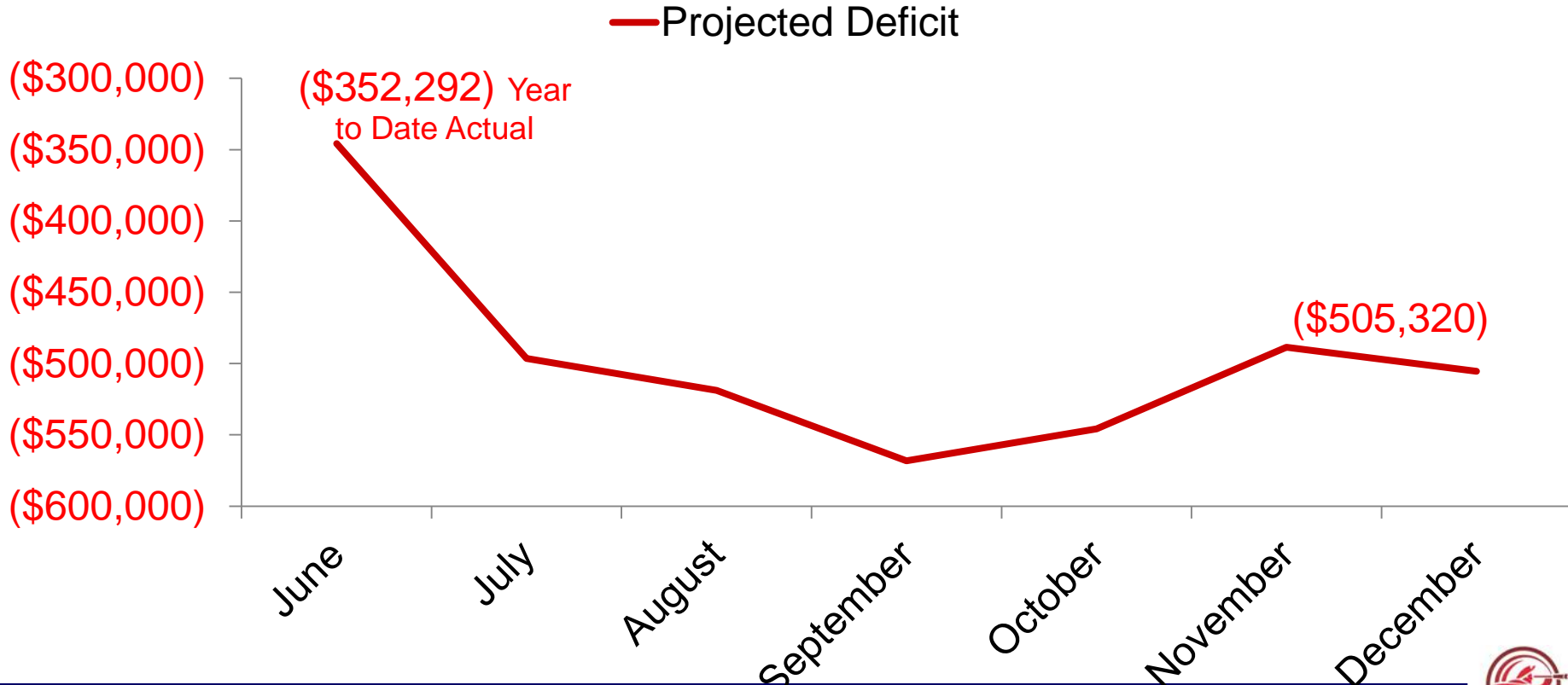


Saint John Transit – Financial Update

- Reduced operating budget by more than 25%
 - Achieved through layoffs and reduction in fuel consumption
- Continued reduced service hours from 97,000 hours to 71,200 hours (26.6%)
- Installed plexiglass shields to enable the resumption of fare collection. (April 16, 2020)
- Effective June 29, 2020
 - Masks will be required. Children under the age of two and those with medical conditions (as per the Chief Medical Officer of Health of New Brunswick) will be exempt.
 - Seating capacity will be increased to up to 50% regular capacity and seats will be marked accordingly. (Approx. max 20 Passengers)

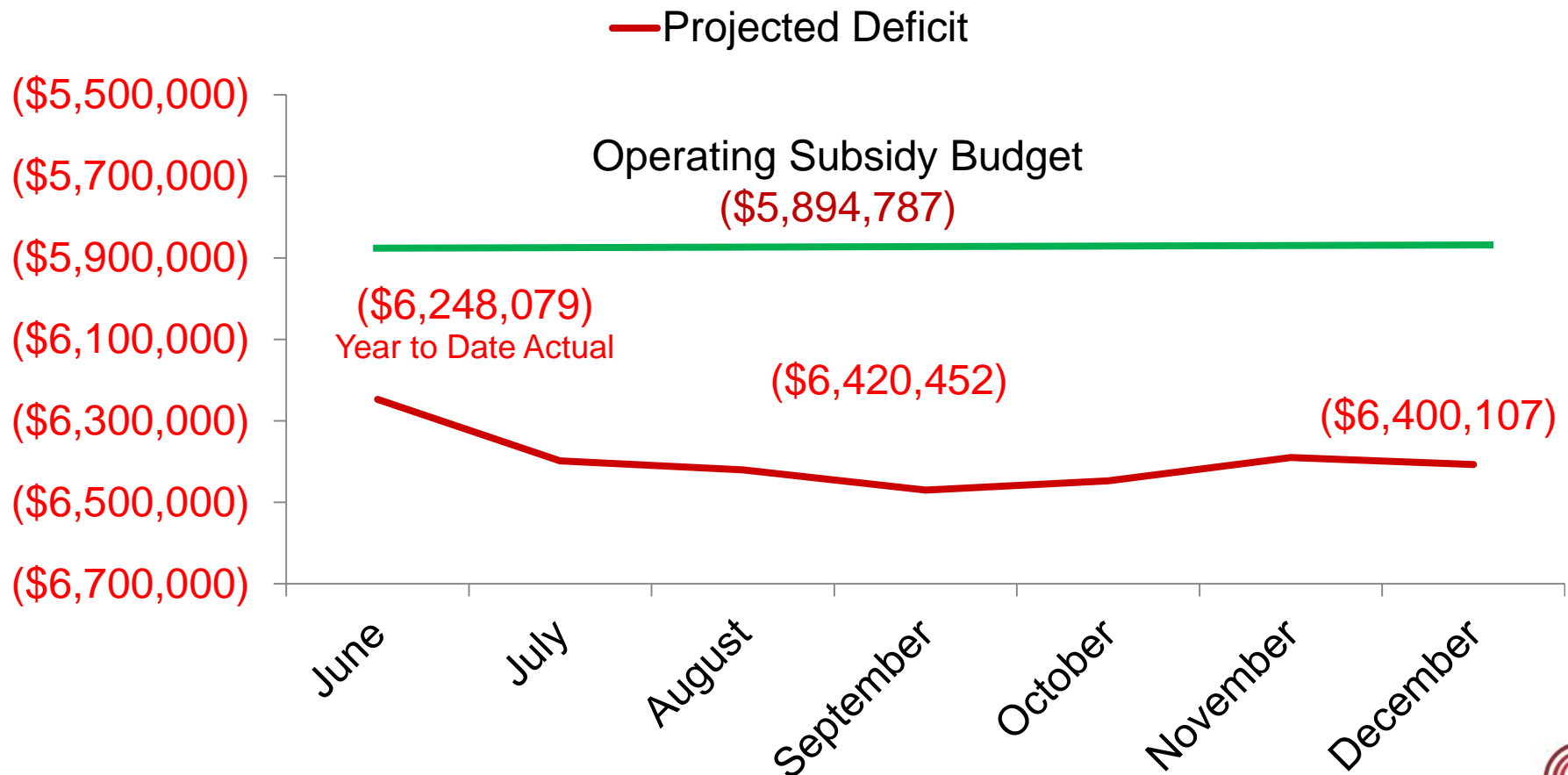
Saint John Transit – Financial Update

- Expenditures - Reduced Service for Balance of Year
- Revenue - Passenger Limit – 20 for Balance of Year
- Cash Flow – Positive (Requires continued monitoring)



Saint John Transit – Financial Update

- 2020 City Funded Transit Operating Budgeted Deficit - \$5,894,787



Saint John Transit – Financial Update

- Provincial Funding under the three year commitment will not cannot be used for Transit deficits. (Province clawed back Transits 2019 deficit)
- Safe Restart Agreement announced July 16th between Federal and Provincial Governments – Key Highlight
 - joint funding with the provinces and territories to support municipalities on the front lines of restarting the economy, including by putting in place precautions for public spaces and essential services to reduce the spread of the virus, **as well as a dedicated stream of funding for public transit.**
 - *However no details made available yet!*

Recommendations – Finance Department

- Recommend Saint John Transit Commission report back to Finance Committee at its next meeting with plan to reduce additional deficit of \$505,320 to a maximum of \$250,000 deficit and provide a description of the impacts due to reducing the deficit;
- Finance Committee direct the City Manager to advise the Board of the Transit Commission that the additional deficit must be no more than \$250,000 regardless of future events that may impact operations of the Transit Commission;
- Finance Committee direct staff from Finance to report back to Finance Committee monthly on the financial results and estimated deficit of the Transit Commission for the balance of 2020.

Questions ?



SERVICE SJ

Integrated Customer Service Centre Project

Finance Committee

July 23, 2020



SAINT JOHN

Outline

- 1. Current Status of Customer Service**
- 2. Service SJ Model**
- 3. Tools for Success**
- 4. Reinvestment**
- 5. Progress & Next Steps**
- 6. Recommendation**
- 7. Questions**

Current Status



Current Status

Various Challenges:

- High turnover of front-line customer service personnel
- No formal customer service training provided; usually on-the-job and provided by experienced employees
- No database or technology to track calls, inquiries or questions
- Lack of full circle communication with the citizen
- No formal escalation process
- Numerous access points; various telephone listings, various entry points
- Inconsistent approaches amongst service areas and departments
- Limited analysis and accountability of service delivery and call taking performance monitoring

Service SJ, How can we help you?

Citizens and customers will be able to access City services in three different ways:



‘Creation of an Integrated Customer Service Centre both physically and virtually to enhance citizen contact experience and accessibility to City of Saint John information and services.’

Best Practice Research

A 'One-Stop' Model Works

- City of Saint John 'One-Stop Development Shop'
- Province of New Brunswick 'Service New Brunswick'
- Emergency and non-emergency telephone centers for citizen services: 911, 811, 311
- Private sector 'Contact Centres'

Citizen Value

Full Circle Communication



- Re-investing funds to deliver a higher return on investment
- One-location for City Services, with staff trained and equipped to help
- Enhanced access to service requests online – this is what citizens expect in 2020
- One-phone number to reduce confusion; who do I call?
- Standardized Response and information – no longer based on experience, empowering staff with information to serve
- Enhanced workflows to reduce wait time
- Business continuity – in the event of emergency or pandemic situations

Common Council Value

- Digital Transformation
- Alignment with Best Practices across the country and North America
- Population Growth attraction – Easy and convenient access to municipal services
- Enhanced transparency for citizens
- Clear Service Level Standards with corporate focus on customer service
- Automated Dashboards and reporting capabilities – Knowledge of Service Requests, questions and concerns in your ward
- Continued opportunity for enhanced service delivery – Continuous Improvement
- Formal Escalation Process

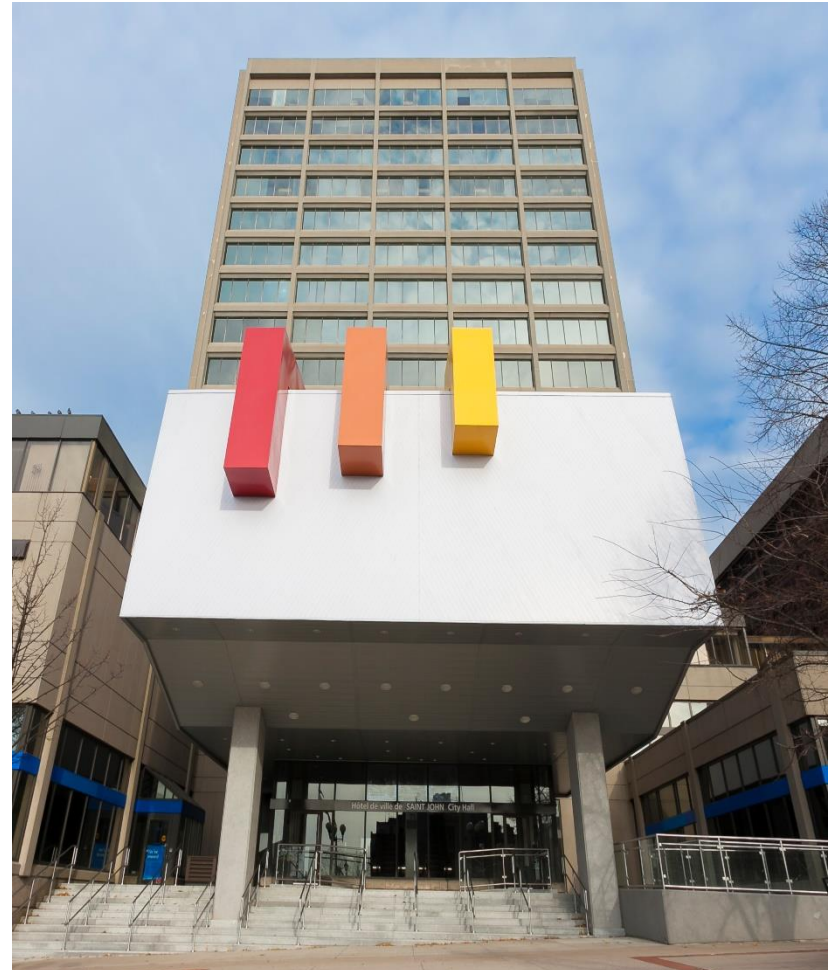
Council Priorities:

‘Valued Service Delivery’ to *‘explore service improvements through innovation, technology and developing partnerships with other organizations’* and to *‘Define service levels for all City services’*; and

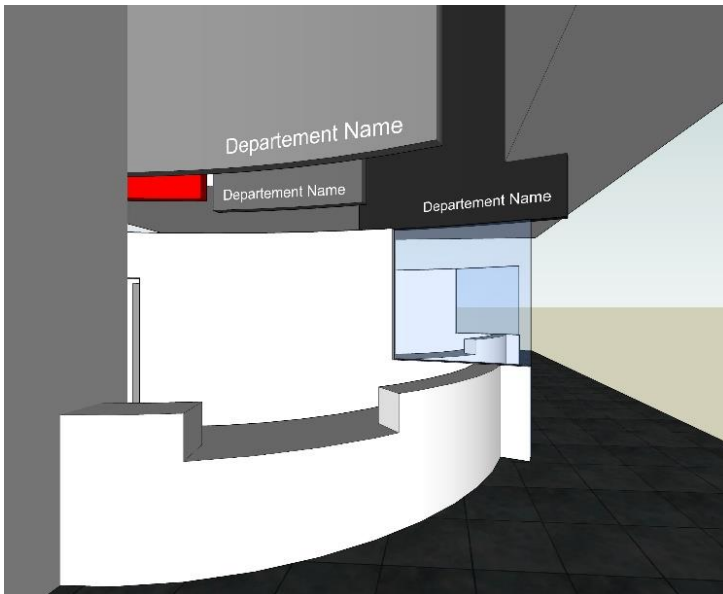
‘Fiscally Responsible’ to *‘report on performance metrics to show effective service delivery and good fiscal management’* and to *‘advance a culture of continuous improvement to drive operational efficiencies’*.

Employee Value

- Receiving and processing service requests, general questions and basic inquiries – Free up technical, skilled staff to do what they do best
- Pooling of resources enables cross-training capabilities for essential front-line service delivery
- Knowledge management is no longer based on experience – stored and updated in a standardized system
- Enhanced data quantity and quality to help support service level decisions; supporting front line service areas



Why Now?



- **City Hall Move**
 - Occupancy of new space
 - New central front desk
- **Website Project**
 - Alignment with enhanced access to online services
 - Self-service features
- **Sustainability & Restructuring**
 - Previous gap; lack of focus on customer service across the organization
 - Alignment and efficiencies
 - Staffing Model using existing resources
 - Long Term cost savings, requires action now

Required Tools for Success

Policy & Procedures

- Ensuring consistency across the organization

Training

- Skills in de-escalation, customer service, culture

Technology

- Customer Relationship Management (CRM) Software
- Telephone System

Customer Relationship Management (CRM) Software

What is CRM?

- Software for 311 operations to help deliver non-emergency services to citizens

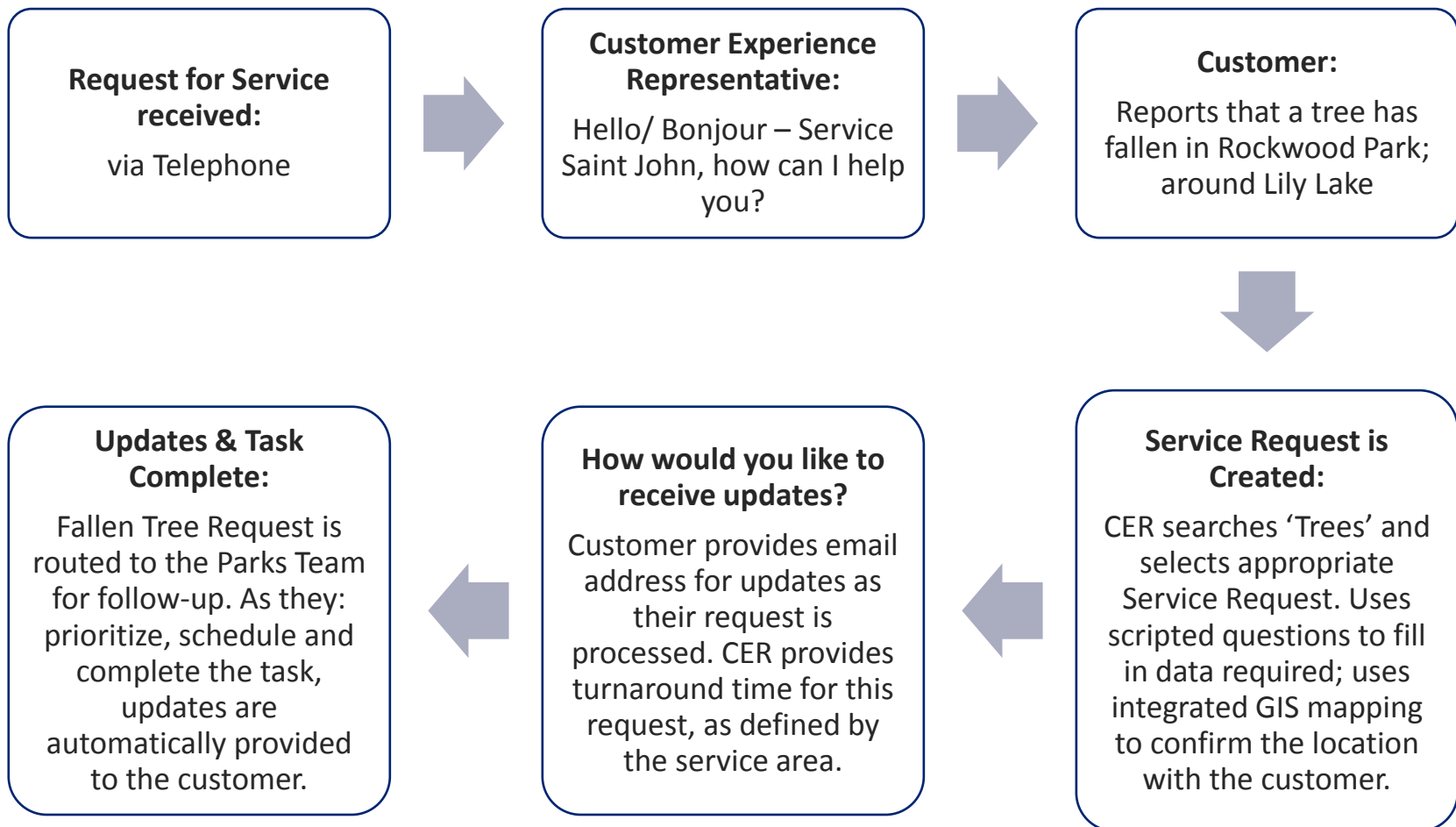
Why do we need it?

- To create efficiencies in service delivery; enabling full circle communication
- Data to drive change; data and metrics will allow for benchmarking, performance measurement, continuous improvement
- Provides consistency and the value to Citizens, Common Council and Employees
- Current system does not allow for this functionality

What is the recommendation?

- RFP issued on April 29, 2020 to select a Proponent to provide and implement a CRM software as a service (SaaS)
- Report and Recommendation will be provided to Common Council on August 4th, 2020

CRM Software – Sample Case



Customer Relationship Management (CRM) Software

Features & Functionality:

- Simple, intuitive use for the Customer Experience Representative
- Ability to program reminders and built-in escalation, if task is not complete within defined time, reminders can be escalated to supervisors, managers
- GIS Integration; confirm the location using our existing GIS ESRI technology
- Reporting, dashboards and analytics; Real time reporting and measurement of performance
- Mobile application for workers in the field
- Identify duplicate requests
- Indexed Knowledge database to search content for frequently asked front-line questions, providing the right response at the front line

Contact Centre Telephone System

Why do we need to modernize our telephone system?

- Current system is outdated, expensive and lacks functionality
- Business continuity; ability to work from various different locations
- Call recording, que configuration, real-time reporting

What is the recommendation?

- Cloud based contact center solution; enables employees to work anytime, anywhere without the need for additional specialized on-premise infrastructure or software
- Report and Recommendation will be provided to Common Council in August 2020

Preliminary Operating Budget

Service SJ:	Annual Cost:	How:
Wages & Benefits (10 FTE)	\$ 752,000	Reallocation of staff from other service areas; included in corporate restructuring
Goods & Services (Includes Annual Licensing Costs, Customer Service Training)	\$ 190,000	Reallocation of costs from other service areas. Savings in Fleet Management.
Total Operating Budget 2021:	\$ 942,000	

Note: All costs on this slide will be offset

Reinvestments

Breakout Costs

Service SJ:	Cost:	How:
CRM Implementation	\$ 480,000	Capital Budget One Time Cost 2020; Enterprise Resource Planning (ERP) Budget. CRM is Phase 1 of the Overall ERP System, budget already included in long term capital plan
CRM Annual Licensing	\$ 140,000	Operating Budget Offset through efficiencies
Telephone System Implementation	\$ 6,000	Operating Budget One Time Cost; Offset through efficiencies
Telephone Annual Licensing	\$ 1,475	Operating Budget Replacement of current phone system

Progress to Date

February 2020	Project Launch
March 2020	Awareness & Research
April 2020	Analysis of Information & Recommendations Request for Proposal (RFP) – CRM Software
May 2020	Model Design Details Assembly of inter-departmental Working Team Data Collection
June 2020	Continued Data Collection Policy & Procedure Draft
July 2020	Finalize Technology Requirements Finance Committee

Next Steps

- **Technology Implementation**
- **Service Level Agreements**
- **Workflows**
- **Finalize Policy & Procedures**
- **Training**
- **Public Communications**

Key Milestones

July 23, 2020	Finance Committee
August 4, 2020	Common Council <ul style="list-style-type: none">• Service SJ Presentation• CRM Recommendation• Telephone Solution Recommendation
October 5, 2020	Phase 1: City Hall Front Desk Go-Live (Payments, Parking, Reception)
December 1, 2020	Phase 2: CRM Go-Live (One Contact Centre, full implementation of Centre)

Recommendation

- *Finance Committee endorse the Service SJ model.*

In conclusion, this project will be a significant step forward to improve valued-service delivery for the citizens of Saint John and a legacy achievement for Common Council.



Strategic Planning Process

Finance and Growth Committees, July 2020

Objective of Presentation

- Governance
- Guiding Principles
- Policy Direction
- Process
- Timeline
- Continuous Improvement



Governance

- Recommendation to form **Steering Committee** to lead engagement and guide Strategic Planning Process
 - Finance Committee appoint 1 member
 - Growth Committee appoint 1 member
 - Council select 1 member
 - 3 members of public (define skill set sought, through nominating committee)
- **Staff Working Group** - research, facilitation and documentation



Scope of Steering Committee

- Review output of Working Group
- Give guidance and direction
- Approve Guiding Principles
- Recommend Strategic Planning Policy to Council
- Review public engagement
- Recommend completed Plan to Council

Guiding Principles – to be endorsed by Steering Committee

- **"Guiding Principles"** are a broad philosophy that encompass your personal beliefs and values and guide an organization throughout its life in all circumstances, irrespective of changes in its goals, strategies or type of work. They create a company culture where everyone understands what's important.
- Examples:
 - Be clear on purpose
 - Start with an accurate assessment of today
 - Create a shared vision of success (council, public and organization)
 - Consultation with stakeholders
 - Data Driven
 - Inclusive, Fair, Transparent
 - Monitor and report results.

Policy – Supported by Steering Committee



- Approval of Council will be sought to support Policy for Strategic Plan
 - Governance
 - Alignment with Long Term Financial Plan
 - Alignment of ABC's
 - Process to report alignment to Strategic Plan
 - Process to change/deviate from Strategic Plan
 - Approval process of Strategic Plan

Recent Engagement conducted

Project	Method	Participation
MoveSJ Phase 2	2 Open houses	60
Long Term Financial Plan	“Budget Simulator” digital tool	553
Central Peninsula Plan	59 meetings and events / online tools	1,100
Saint John Transit Review	Open house / online comments	75
.saintjohn.ca Redesign	Web survey	358
Smart Cities Challenge	3 workshops /web survey	380
Open Streets	Web survey	2,201

Strategic Plan research will include other large-scale, City-led public engagement projects such as Vision 2015, PlanSJ, PlaySJ and the City of Saint John Employee survey. It will also include relevant public engagement project from external organizations.

What Plans do we have and key themes

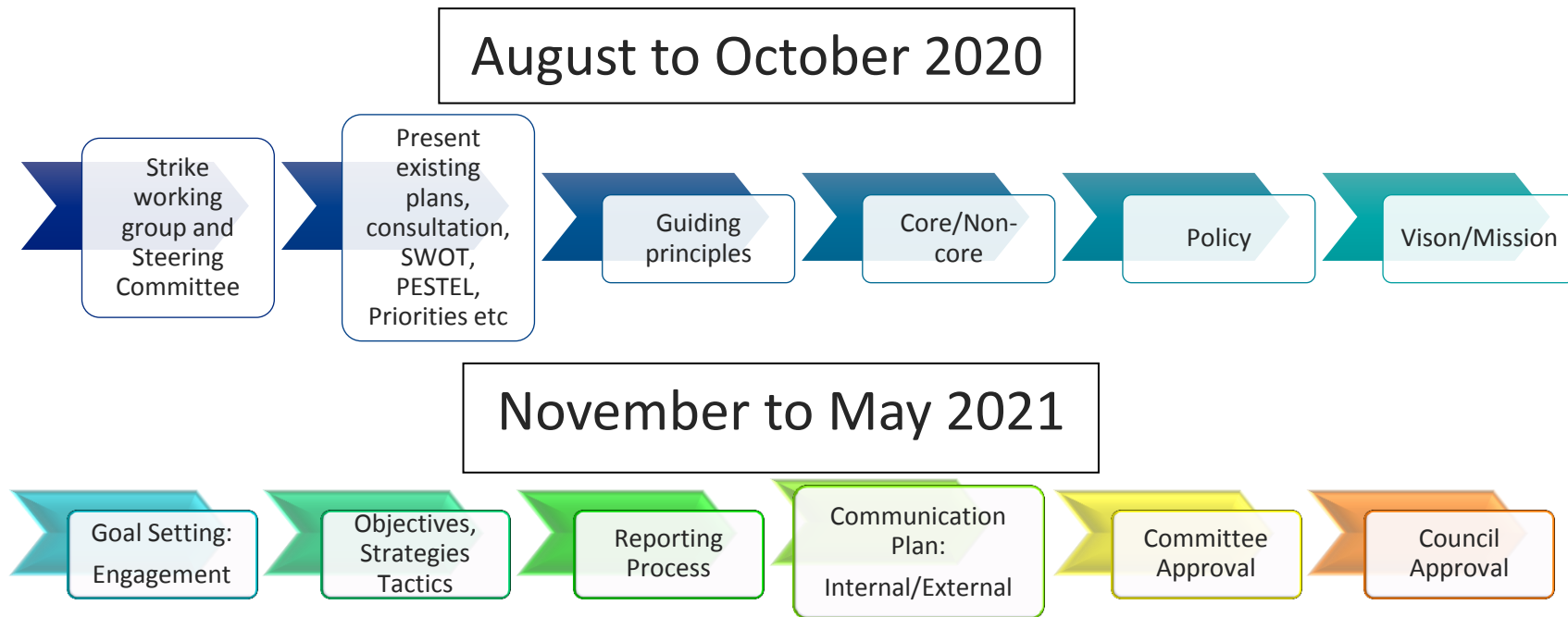
- AdvanceSJ (2014-2016 Corporate Strat Plan)
- **Strategic Plan will integrate previous plans (cart/horse)**



Strategic Plan – build off Vision 2015



Timeline



Steering Committee, work 2-3 sessions

- Kickoff
 - Themes of existing plans presented to Steering Committee
 - Themes of public consultation presented
 - SWOT presented
 - PESTEL Presented
 - Existing Council priorities
 - Adopt Guiding Principles
 - Define Core/non-Core services discussion
 - Develop Policy Statement
- Vision/Mission exercise



October - November

- Public consultation and Committee recommendation to Council:
 - Vision/Mission
 - Guiding Principles
 - Policy
 - Core/non-core services definition
- Once approved, those inputs will be used to develop Goals for Strategic Plan



Steering Committee - November to January

- Goal Setting – What are the goals that align with your vision?
 - Public Consultation
 - ABC engagement
 - Stakeholder engagement
- Present key findings to Council
- Council direction on goals



Working Group - January to March

- Develop:
 - Objectives,
 - Strategies, and
 - Tactics
- Present Objectives and Strategies to Steering Committee
- Develop reporting process
 - Performance to plan
 - LTFP alignment
 - ABC alignment to plan
 - Timing of reporting



Steering Committee– April 2021

- Approve Goals, Objectives, Strategies and Tactics
- Approve performance reporting process
- Endorsement of plan by committee with recommendation to council



May 2021 – Common Council

- Approval of 2022-2032 strategic plan
- Corporate structure to support plan
- Communication Plan – internal and external



Performance Management of the plan

- Reported yearly and used to update plan, continuous 10 year outlook
 - Were the tactics implemented?
 - Did the tactics or action support your strategy?
 - Did your strategy support your objective
 - Does your objective support your goal
- If not accomplishing your goal, there is a gap, something is not leading to an expected outcome, must adjust, establish new criteria and implement, monitor and control



Recommendation

- Finance Committee endorse the following:
 - Proposed governance structure of the Steering Committee,
 - Proposed scope of the Steering Committee, and
 - Proposed Project Timeline for completion of the Strategic Plan by May 2021