



## COUNCIL REPORT

M&C No.	2019-194
Report Date	July 23, 2019
Meeting Date	July 29, 2019
Service Area	Corporate Services

His Worship Mayor Don Darling and Members of Common Council

***SUBJECT: Clarification of Short-Term Revenue Generated by “Sustaining Saint John – A Three Part Plan”***

### ***OPEN OR CLOSED SESSION***

This matter is to be discussed in open session of Common Council.

### ***AUTHORIZATION***

Primary Author	Commissioner/Dept. Head	City Manager
<b><i>Neil Jacobsen Kevin Fudge</i></b>	<b><i>John Collin</i></b>	<b><i>John Collin</i></b>

### ***STAFF RECOMMENDATION***

*Receive for information.*

### ***EXECUTIVE SUMMARY***

On July 17, 2019 Members of Saint John Common Council received a letter from the Provincial Minister of Environment & Local Government (Attachment A) that specifically referenced Council’s July 11, 2019 meeting and discussions relating to the recently released ***Sustaining Saint John – A Three Part Plan***. This Report provides the staff’s interpretation on the Minister’s identified short-term financial benefits to the City, as described in the Minister’s letter. It does not provide comment on the remainder of the letter since the motion (and any corresponding discussion or debate) regarding the Plan was tabled for 30 days on 11 July 2019.

### ***PREVIOUS RESOLUTION***

Common Council – July 11, 2019

City of Saint John Sustainability Report

### *MAIN MOTION*

Moved by Councillor Sullivan, seconded by Councillor Norton:

RESOLVED that Common Council adopt the submitted report entitled Sustaining Saint John: A Three-Part Plan.

Councillor Reardon asked if a tabling motion could be entertained.

The Common Clerk advised that a tabling motion would require a timeline and a reason for the tabling motion.

A 30 day timeline was suggested.

Councillor Reardon stated her reason for considering the tabling motion would be to facilitate further review of the report, which was just released yesterday and to have the provincial members present at the meeting consider the concerns and remarks made by Council and to take the concerns to the Province to determine if more could be offered to assist the City.

### *TABLING MOTION*

Moved by Councillor Reardon, seconded by Deputy Mayor McAlary:

RESOLVED that the matter ***Sustaining Saint John – A Three Part Plan*** be tabled for 30 days to facilitate further negotiation with the Province.

MOTION TIED, with Deputy Mayor McAlary and Councillors Reardon, Hickey, Sullivan, and Norton voting “yea” and Councillors MacKenzie, Merrithew, Armstrong, Strowbridge and Casey voting “nay”.

The Mayor cast the deciding vote in favour.

MOTION CARRIED.

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### ***SHORT-TERM FONANCIAL BENEFIT GENERATED BY “SUSTAINING SAINT JOHN – A THREE PART PLAN”.***

The Minister of Environment and Local Government identified specific short-term financial benefit through adoption of the Plan.

The items that follow are on page 1 of the letter. For each, this report summarizes the action, provides the Minister’s evaluation of the financial benefit and then the City staff’s comment or interpretation.

1. Tax Exemption Transit Facility, \$306k – **Valid**
2. Capital and Operating of Regional Facilities, \$632k - **Valid**. However, please note that approximately \$400k would be capital contributions and approximately \$200k would be a reduction to the City's operating costs. Furthermore, the \$400k in Capital assumes that the City will continue to invest in Capital in those facilities in accordance with our historical trends.
3. Accommodation Levy, \$400-500K – **Valid**. The City's voluntary hotel levy generates approximately \$948K, the estimate in the Minister's letter of \$778K is incorrect. The Accommodation levy is estimated to generate \$1.4 million. The City will benefit will be able to reduce its investment by \$400-500K based on the additional levy revenue. It should be noted however that the estimate is fully dependent on occupancy rate. Of additional note is that the legislation has already been put in place by the Provincial government. Our by-law will be in place by end year.
4. Accelerated Population Growth, \$600k – **Uncertain**. This estimate assumes the pilot project is successful in attracting 500 people. It further assumes those people choose to stay in Saint John and that those people end up causing the build of \$34 million of new tax base. The Province believes that past examples validate that the \$34 million is an appropriate estimate if the 500 people are attracted and stay.
5. Revenue from Saint John Energy, \$1 million – **Uncertain**. The early dividends of \$500k in each of 2019 and 2020 (totaling \$1 million) are contingent on the enabling legislation being in put in place by the Provincial Government.
6. Operating Budget Initiatives, \$3 million. Staff is uncertain as to why this number is included in the letter given this represents City cuts (with perhaps some limited new local revenue through user fees) and therefore does not provide relief to our overall situation. Certainly should not be considered as a "net gain" to the City.

Figures 1 and 2 below summarize the net gains to the City of Saint John.

**Figure 1: Actions with High Probability**

Property Tax Exemption for Transit Facility	\$306,000
Regional Facilities sharing of operating costs	\$200,000
Accomodation Levy	\$1,400,000
Less: Volunteer Levy	<b>-\$948,000</b>
Annual Operating Budget Impact	<b>\$958,000</b>
Annual Capital Budget Funding	<b>\$400,000</b>
Total Annual Value	<b><u>\$1,358,000</u></b>

Below is the same table with those elements that the Province believes are highly probable. It is noteworthy that the Province feels that revenue from Saint John Energy is likely.

**Figure 2: Provincial Estimate**

Property Tax Exemption for Transit Facility	\$306,000
Regional Facilities sharing of operating costs	\$200,000
Accommodation Levy	\$1,400,000
Less: Volunteer Levy	<b>-\$948,000</b>
Population Growth	\$600,000
Saint John Energy Dividend	\$500,000
Annual Operating Budget Impact	<b>\$2,058,000</b>
Annual Capital Budget Funding	<b>\$400,000</b>
Total Annual Value	<b>\$2,458,000</b>
Saint John Energy One time Success Fee	<b>\$500,000</b>
Total Value	<b>\$2,958,000</b>

It is important to note that future dividends from Saint John Energy will be determined based on their growth if enabling legislative changes are approved.

It is premature to assign a value to the remaining Action Items in the ***Sustaining Saint John – A Three Part Plan***. Detailed implementation plans must first be developed by the Province and City of Saint John; with the inherent ability to monitor the progress, associated timelines and financial outcomes of each Action Item.

## **RECOMMENDED NEXT STEPS**

The motion on the question of support for the Plan remains tabled to at least 11 Aug 2019.

The staff recommendation remains unchanged and can be summarized as:

1. That Common Council endorse the Plan while expressing its reservations.
2. That Common Council insist on detailed implementation plans for each Action Item.
3. That Common Council direct the City Manager to continue with plans to address the entirety of the deficit for 2021 and 2022.

## **STRATEGIC ALIGNMENT**

The work of the Municipal Sustainability Working Group and related outcomes is aligned with Council's Priority 'Economic Health', as well as with the City's Service Principles of "Sustainability" and "Partnerships".

### ***SERVICE AND FINANCIAL OUTCOMES***

The City of Saint John has a structural deficit despite having the highest tax rate of any municipality in the province and a significant industrial tax base. Revenues are currently forecasted to grow at approximately 1% per year while expenses are growing at 3%. Recent financial projections estimate that the City is faced with a structural deficit of a \$12 million dollar average over the three-year period of 2021-2023.

### ***INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS***

The work of the Municipal Sustainability Working Group has been led by the City Manager's Office, with on-going support from:

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

### ***ATTACHMENTS***

Attachment A:            July 17, 2019 Letter Received from the Provincial Minister of Environment & Local Government