



The City of Saint John

MINUTES – SPECIAL MEETING  
COMMON COUNCIL OF THE CITY OF SAINT JOHN  
JULY 11, 2019 AT 6:00 PM  
IN THE COUNCIL CHAMBER

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Present: Mayor Don Darling  
Deputy Mayor Shirley McAlary  
Councillor-at-Large Gary Sullivan  
Councillor Ward 1 Blake Armstrong  
Councillor Ward 1 Greg Norton  
Councillor Ward 2 Sean Casey  
Councillor Ward 2 John MacKenzie  
Councillor Ward 3 Donna Reardon  
Councillor Ward 3 David Hickey  
Councillor Ward 4 David Merrithew  
Councillor Ward 4 Ray Strowbridge

Also Present: City Manager J. Collin  
Deputy City Manager N. Jacobsen  
City Solicitor J. Nugent  
Police Chief B. Connell  
Fire Chief K. Clifford  
Commissioner of Finance and Treasurer K. Fudge  
Deputy Commissioner Growth and Community Development P. Ouellette  
Deputy Commissioner of Transportation and Environment J. Hussey  
Commissioner of Saint John Water B. McGovern  
Common Clerk J. Taylor  
Deputy Common Clerk P. Anglin

## 1. Call to Order

### 1.1 Addition to Agenda

Moved by Deputy Mayor McAlary, seconded by Councillor Sullivan:

RESOLVED that the following item be added to the agenda:

- Denial of Pension under the *Heart and Lung Act*.

MOTION CARRIED.

### 1.2 Approval of Agenda

Moved by Deputy Mayor McAlary, seconded by Councillor Merrithew:

RESOLVED that the agenda for the July 11<sup>th</sup>, 2019 meeting be approved.

MOTION CARRIED.

### 1.3 Denial of Pension under the *Heart and Lung Act*

Moved by Deputy Mayor McAlary, seconded by Councillor Sullivan:

RESOLVED that as recommended by the Committee of the Whole having met on July 8<sup>th</sup>, 2019 Common Council approve the following:

WHEREAS an application was made by Employee No. xxxx for a pension pursuant to the terms of *An Act Respecting the Saint John Firefighters' Association*;

AND WHEREAS the aforementioned application for a pension was evaluated in accordance with established/applicable criteria and the City has received satisfactory medical advice confirming that Employee No. xxxx **does not** meet the eligibility criteria as identified in section 1 of *An Act Respecting the Saint John Firefighters' Association* (the "*Heart and Lung Act*") as further clarified by an Order of the Court of Queen's Bench of New Brunswick, dated April 5, 2018, because he is indeed able to "*continue to carry on in the Saint John Fire Department*";

BE IT RESOLVED that the employee identified by Employee No. xxxx be denied a pension pursuant to the terms of the *Heart and Lung Act*, as interpreted having regard to the interpretative clarification provided in the Order of the Court of Queen's Bench of New Brunswick, dated April 5th, 2018.

MOTION CARRIED.

## **1.4 Sustainability Saint John: A Three-Part Plan**

Referring to the submitted staff PowerPoint presentation entitled “Common Council - Sustaining Saint John – A Three Part Plan”, the City Manager described the aim of the presentation: to present to Common Council a summary of the joint (Province/City) sustainability efforts of the past 15 months and the resulting report; with a view to setting the conditions for motions, questions, discussion and decision.

The presentation outlined the following:

### **Financial Background Review**

#### **Importance of Property tax revenues and growth Property Tax Revenues and Growth**

The City of Saint John reliance on property taxes is very high; nearly 80% of our revenues come from property taxes. Property tax reform is vital; the City must diversify revenue streams.

#### **Reliance on Short Term Provincial Assistance**

The City is relying on Provincial Funding to operate, the short-term financial assistance ends in 2020.

#### **The Challenge**

Saint John has significant structural deficits. The “structural deficit” must be solved. The City’s revenue growth is 1% per year and costs are 3% per year. Just cutting does not solve the challenge; the problem will return until costs balance revenue. Binding arbitration changes and wage escalation policy are vital. The City has reduced the workforce by 82 positions since 2008. How many more can be removed?

#### **Highest Tax Rate in New Brunswick**

City residents pay the highest tax rate in New Brunswick and 44% more than the Town of Rothesay.

City residents pay an unequitable tax burden based on income.

#### **City Debt**

City debt exceeds \$230M – Debt Management Policy is vital.

#### **Infrastructure Debt**

#### **Infrastructure Deficit**

City has a sizable infrastructure deficit \$434M – We must invest more in Capital.

#### **2018 Funding Agreement**

Common Council approved the 2018 budget with \$4.7 in proposed cuts; \$2.5M public safety cut and \$1.7M transportation service cut. On or about December 11, 2017 the City received a letter from the New Brunswick Premier Brian Gallant that resulted in short-term financial assistance with the following terms: \$22.8M over a three year period (\$3.5M in 2018, \$8.9M in 2019 and \$10.4M in 2020). The Funding Agreement terms included no cuts to front facing services and Working Committee Solutions report to be delivered in early 2019.

### **Sustaining Saint John – A Three-Part Plan - Review of Three Part Plan**

#### **Part 1 Developed by the Working Group – Implement 20 Action Items**

1. Collective Agreements – City of Saint John to address non-sustainable clauses.
2. Special Pension Payments – City of Saint John to explore options to decrease annual payments but not diminish overall contributions.
3. City Boundaries – Province/City of Saint John will explore if reducing territorial boundaries would yield cost savings.
4. Binding Arbitration – The Government of New Brunswick will invite local government and union representatives to develop a proposal for binding arbitration reform.
5. Tax exemption – Municipal Transit Facilities.
6. Municipal Property Tax Reform – Province will lead a comprehensive review of current property tax policy and any tax-related tools that would benefit municipalities.
7. Population Growth – Province with ACOA will support City of Saint John's *Population Growth Framework* by accelerating pilot to attract 500 new residents.
8. Saint John Energy – City of Saint John will conduct independent evaluation of Saint John Energy growth agenda.
9. Regional Facilities – Capital Costs – Province introduce legislation to add capital costs to regional facilities' funding formula.
10. Accommodation Levy – Province has introduced legislation for mandatory levy.
11. Regional Services Commission - Province will review the RSC model to find improvements in regional service delivery.
12. City of Saint John Budget – City will commit to further reduce expenses and/or increase revenues.
13. Fundamental review of organizational structure of City employees.
14. Develop Continuous Improvement Framework.
15. Third Party Operational Audit.
16. Fundamental review of Economic Development Framework.
17. Facilitate growth through enhanced collaboration with industry.
18. Develop and execute long-term financial plan.
19. Develop and execute Debt Management Plan and Wage Escalation Policy.
20. Complete next Phase of Asset Management Plan.

**Part 2 Developed by GNB/Provincial Cabinet – Establish a Regional Management Task Force to achieve equitable cost-sharing by March 31, 2020**

From the Terms of Reference the objectives of the Regional Management Task for are:  
To Achieve comprehensive and equitable service cost-sharing through the engagement of regional governance partners; and  
To establish a collaborative regional planning and priority-setting framework on service-sharing and other areas of common interest through this forum.  
As a deliverable, a signed agreement, delivered to the Province March 31, 2020.

**Part 3 Developed by GNB/Provincial Government – Commit to a re-assessment by the Provincial Government of the City's operational status in May 2020, to determine what, if any, further response is required.**

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

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

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

**Staff Analysis**

20 Action Items - Over half are City initiatives that are in progress or planned. Some are minor (i.e.: Removing provincial property tax from transit facility). Some have tremendous (albeit uncertain) potential; Property Tax Reform, Binding Arbitration, Saint John Energy revenue, Regional Management Task Force (Part 2 of Plan). Most have been committed to in other forums, but this is the first time for a Cabinet-endorsed written document.

Action items will not yield major results before 2023. Quoting from the report "...are expected to yield modest revenue or savings for the city beginning in 2020, with more substantive returns in 2023 and beyond".

All action items require implementation plans with due dates and milestones, "SMART" objectives (Specific, Measureable, Assignable, Relevant, Time Based) and performance measurement throughout.

If we assume major benefits in 2023 and beyond, the City of Saint John should plan to address the entirety of deficit for the years 2021 and 2022; this will require drastic,

impactful and difficult decisions that will affect everyone. A phased approach would be required so planning has already begun and must accelerate. 2021 is “just around the corner” from a budgeting point of view, especially when major changes must be implemented.

### **Motion brought forward from Closed Session of the Committee of the Whole**

June 26<sup>th</sup>, 2019

RESOLVED that the City not accept the *“Sustaining Saint John – A Three Part Plan”* report as it does not meet the majority of the objectives of the City of Saint John; and further, that a letter be sent to the Province thanking them for their efforts thus far.

### **Questions and Discussion**

Following the presentation the City Manager responded to questions. Responding to “What is the risk in the report, what is bankable revenue in the report versus future commitment?” The City Manager enumerated the known “bankable” revenue:

- Exemption to provincial property tax on the Transit facility \$300,000
- Changes to Regional Facilities legislation impacts on operating and capital costs \$600,000

These are two tangible bankable revenues within the action items.

Responding to further question in terms of money on the table from the report, the City Manager quantified in addition:

- External audit Operational Review \$200,000 minimum
- Change from the voluntary hotel levy to a mandatory levy will add \$300,000-\$700,000 annually.

Responding to question “What is the financial risk of the action items in the report?” the Commissioner of Finance stated there are significant commitments and significant major themes in the report that would not only impact the City of Saint John but municipalities across New Brunswick. Many of the major reforms that are needed and committed to in the plan are for 2022 and beyond and the details for each of those major reforms are yet to be determined.

From a financial perspective relying solely on the recommendations of the report given that the timing of actions are uncertain, and considering the time required for action items that the City is responsible to address, such as collective agreements, and things of that nature, the uncertain timing of the conclusions in the report carries risk, and risk for future finances for the City of Saint John.

The Commissioner advised that the City of Saint John, based on its current costs of services, can no longer afford those services based on the revenues that with certainty we can predict we are going to receive in the foreseeable future and that we are going to have to make some cost adjustments going forward.

The Mayor asked the City Manager the following question: "When Council was briefed previously on the Working Group action items and we discussed that as a Council, did Council place any condition on its approval in principle, on those action items?" When asked to clarify the Mayor stated, "When Council discussed the draft city actions and draft provincial actions that there was an element to that in terms of tax reform that was an ask from the Province." The City Manager responded, "Are you referring to the bridging strategy?" The Mayor responded "Yes, I would call that tax reform." The City Manager elaborated, "As we worked through the 18-20 action items, once we came to the realization that the large, potential significant change would be 2023 or beyond and that the City of Saint John would have a very significant challenge for the fiscal years of 2021 and 2022 we then started to discuss within the Sustainability Working Group options to deal with that short term challenge. We did initially focus on offering potential bridging strategies to our counterparts at the Provincial level to get us through those years. One of the bridging strategies morphed into the first step toward property tax reform, holistic comprehensive property tax reform. It was so suggested within the Working Group and mentioned to various elected officials, as I understand, at both levels of government. The proposal put forward is in recognition of the City of Saint John's heavy industrial base and the stress it puts City services and infrastructure, although they (heavy industry) pay a large portion of property tax, a proportion of that goes to the province. Our suggestion was in order to recognize and compensate for the additional pressures that are put onto our services, police, fire response, for example and the pressure that is put on our infrastructure, for example one heavy truck puts the same wear and tear as approximately 10,000-18,000 cars; our suggestion was as the first step of comprehensive tax reform to transfer the industrial tax portion of Provincial property tax to the City, in recognition of those pressures."

Responding to a question "What were the staff recommendations on the report?" the City Manager responded that 4 recommendations were presented by staff:

1. Endorse plan with reservations - action items will not yield results before 2023.
2. Detailed implementation plans are required for the action items with due dates, milestones, "SMART" objectives (Specific, Measurable, Assignable, Relevant, Time Based) and with performance measurement throughout.
3. Assuming benefits in 2023 develop plans for deficit years 2021, 2022.
4. Direct City Manager to develop a communication plan to release the report.

A point of order was raised by Councillor Sullivan for not following the *Procedural Bylaw* speaking times. The Mayor stated the topic is important and he is tracking speaking times.

Responding to a question "What are examples of the \$10-12 Million in budget cuts required?" the City Manager provided illustrative examples:

- Reduce transit subsidy
- Reduce protective services

- Eliminate community grants
- Cease recreation subsidies
- Increase user fees for resident services, such as garbage
- Increase non-resident fees
- Workforce reductions, pay reductions
- There will be more potholes and more ice on roads.

The City Manager also stated that staff is pursuing revenue streams to offset budget cuts.

Responding to a question “What will happen if the report is not endorsed?” The City Manager responded he does not know, he can only speculate and did offer his speculation as comments in Closed Session on June 26, 2019.

### **Motions and Decision**

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 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 tonight’s 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.

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.



**Adjournment**

Moved by Councillor MacKenzie, seconded by Councillor Armstrong:

RESOLVED that the special meeting of Common Council held on July 11, 2019, be adjourned.

MOTION CARRIED.

The Mayor declared the meeting adjourned at 8:24 p.m.

DRAFT