

COUNCIL REPORT

M&C No.	2019-214
Report Date	August 16, 2019
Meeting Date	August 19, 2019
Service Area	Corporate Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Proposed Government of New Brunswick Amendments: Sustaining Saint John – A Three Part Plan

OPEN OR CLOSED SESSION

This matter is to be discussed in open session.

AUTHORIZATION

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

RECOMMENDATION

Receive for information.

EXECUTIVE SUMMARY

On August 14, 2019, Committee of the Whole met with Premier Blaine Higgs and representatives from the Province of New Brunswick to discuss financial considerations in relation to the recently released ***Sustaining Saint John – A Three Part Plan***. On 19 August, as a result of several conversations over the past month and subsequent to the August 14th meeting, the Province provided the City of Saint John with proposed amended Plan language for consideration and approval by Common Council.

PREVIOUS RESOLUTIONS

Committee of the Whole – June 26, 2019

City of Saint John Sustainability Report

RESOLVED that the City not accept the Municipal Working Group's Sustainability 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.

Common Council - July 11, 2019

Sustaining Saint John – A Three Part Plan

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

BACKGROUND - MUNICIPAL SUSTAINABILITY WORKING GROUP

The Municipal Sustainability Working Group, comprised of senior level representation from the Government of New Brunswick (GNB) and the City of Saint John, met regularly beginning in April 2018. The establishment of the Working Group was a key deliverable of the three year \$22.8 million “*New Deal*” financial support package provided to the City by the former Provincial Government. The three year funding was provided as a bridging solution to address the City’s growing structural deficit and preserve core citizen services while the Working Group identified permanent solutions.

The overarching objectives of the Working Group were:

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

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

- Sustainability impact*
- Impact on public/stakeholders*
- Cost to implement, and*
- Time to implement*

Original Problem Statement: *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%. At this rate the deficit is forecasted to be \$3.5M in calendar year 2018, \$8.9M in 2019 and \$10.4M in 2020. This will continue to compound and the gap will widen, if not addressed.*

Original Goal Statement: *By 2021, and preferably sooner, the City of Saint John will have eliminated its structural deficit and be on a path of sustainable growth such that it is in a position to significantly reduce its tax rate over time.*

The **Sustaining Saint John – A Three-Part Plan** was released by the Province and City on July 10, 2019. The plan, which has been approved by the Provincial Government and is awaiting further discussion by Saint John Common Council, includes 20 distinct sustainability action items. Some

of the action items are specific to Saint John, while others have regional and/or province wide applications.

Part Two of the plan involves the creation of a regional management task force representing all the local governments in the Greater Saint John region, as well as representatives from the local service districts. The task force is mandated to identify and agree on arrangements for shared service delivery and shared use of services within the region; and to achieve associated equitable cost-sharing.

Part Three of the action plan outlines a commitment from the provincial government to reassess the city's financial status after it has reviewed the status of the 20 actions and the recommendations of the regional management task force next spring.

Part One of the plan is based on the work of the Municipal Sustainability Working Group while Parts Two and Three were added by the Provincial Government.

The original *Sustaining Saint John: A Three-Part Plan* [is available online](#).

PROPOSED GOVERNMENT OF NEW BRUNSWICK AMENDMENTS TO THE “Sustaining Saint John – A Three-Part Report”

On August 14, 2019, Committee of the Whole met with Premier Blaine Higgs and representatives from the Province of New Brunswick to discuss financial considerations in relation to the recently released ***Sustaining Saint John – A Three Part Plan***. On 19 August, as a result of several conversations over the past month and subsequent to the August 14th meeting, the Province provided the City of Saint John with proposed amended Plan language for consideration and approval by Common Council.

Proposed changes to the Plan by the Province include:

- More definitive wording/commitment to consider changes to binding arbitration legislation for police and firefighters
- More definitive wording/commitment to enabling Saint John Energy's growth agenda
- An interim report requirement for the Regional Management Task Force and recognition of the requirement for outside expertise/advice to the Task Force
- Advancing the Province's re-assessment of outcomes (Part Three of the Plan) from May to March 2020

ANALYSIS

While the refinements to the Plan as provided by the Province still do not address the overarching goal *“that by 2021, and preferably sooner, the City of Saint John will have eliminated its structural deficit and be on a path of sustainable growth such that it is in a position to significantly reduce its tax rate over time”*, they do provide tangible improvements. Some action items now have more definitive deliverables and certain timelines within the Plan have been accelerated. Moreover, external assistance to the Regional Management Task Force is recognised as essential.

There is no doubt that the Plan does not address the short term financial gap for the budget years of 2021 and 2022. There is however, some financial relief and tremendous potential for 2023 and beyond.

The staff recommendation is that:

1. Common Council endorse the report while continuing to voice its reservations over:
 - a. Failure to solve the financial gap for the years of 2021 and 2022
 - b. Lengthy timelines and uncertainty for the significant reforms
 - c. Lack of detailed implementation plans for the significant reforms
2. Common Council formally re-consider in March 2020, in Open Session, their endorsement of this Plan based on the progress made. This date would be concurrent with the Provincial commitment to re-assess in Part Three of the Plan, and also be concurrent with the City’s commitment to have all implementation plans for financial restructuring approved.
3. City Staff, working through Finance Committee, continue with their efforts/plans to address the entirety of the deficit for 2021 and 2022; respecting the motion passed by Common Council on this issue on
4. Common Council request to the Province that detailed implementation plans be produced for each of the 20 Action Items.
5. That the working committee established to produce this Plan remain extant and assist in the coordination and implementation of the entire Plan.
6. City staff provide a report to Council every two months as a minimum (and more often if deemed necessary) on the progress on the 20 Action Items, and on Parts Two and Three of the Plan, through the creation of a ***Sustaining Saint John*** Report Card. Furthermore, that this report card be provided to Saint John Common Council, Members of the

Legislative Assembly from the Greater Saint John Region, the Premier's Office, and all four political parties currently represented in the Provincial Legislature in order to ensure broad situational awareness.

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 one of Eastern Canada's largest and most diverse cluster of heavy industrial activities. Revenues are currently forecasted to grow at approximately 1 – 1.5% per year while expenses are growing at 3%.

Based on the more optimistic revenue growth rate of 1.5% per year, the City's structural deficit is forecasted to average \$12 million per year for the period 2021-2023. The structural deficit will continue to grow and the City's sustainability challenges amplify, if not proactively addressed.

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: Amended ***Sustaining Saint John – A Three Part Plan*** (as proposed by the Province of New Brunswick).