

REPORT TO COMMON COUNCIL

M&C Number	2024-312
Report Date	November 18, 2024
Meeting Date	November 25, 2024

Her Worship Mayor Donna Noade Reardon and Common Council

SUBJECT: Amendment to the Wage Escalation Policy FAS-007

OPEN OR CLOSED SESSION

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

AUTHORIZATION

Primary Author	Finance Chair	Chief Admin Officer
<i>Kevin Fudge</i>	<i>Gary Sullivan</i>	<i>J. Brent McGovern</i>

RECOMMENDATION

Finance Committee recommends that Common Council approve the amended Wage and Benefits Budget Escalation Policy FAS-007.

EXECUTIVE SUMMARY

The Wage and Benefits Budget Escalation Policy is an important part of a Long-Term Financial Plan to ensure wage and benefit budgets are affordable for taxpayers. The Policy supports the City in achieving the performance goals in Common Council's 5-year priorities, 10-year strategic plan and Long Term Financial Plan.

The amendment to the Policy is being brought forward to add definition to the calculation of the Consumer Price Index (CPI) + 1 provision of the policy as described in section 4.1.3.

PREVIOUS RESOLUTION

N/A

STRATEGIC ALIGNMENT

The Wage and Benefits Budget Escalation Policy is aligned with Council Priority to Perform

REPORT

As part of the City's Long-Term Financial Plan a number of key financial policies were adopted to put the City on a sustainable path forward. Wage and Benefits Budget Escalation Policy embeds a framework to ensure financial policies are reviewed periodically. The Wage and Benefits Budget Escalation Policy was adopted on September 24, 2019, and included the following objectives:

Objectives of the Wage and Benefits Budget Escalation Policy:

- The City spends within its means.
- The wage and benefit budget escalation does not cause a tax rate increase in order to balance the General Operating Budget.
- Wage and benefit budget escalation does not cause a reduction in service levels in order to balance the General Operating Budget.
- Wage and benefit budget escalation does not exceed the City's annual recurring revenue.

Application:

- The City Manager shall recommend increases to the wage and benefit budget in accordance with the Wage and Benefit Escalation Policy.
- Recommendations for wage and benefit budget increases shall be based on a three-year rolling average of recurring revenue growth;
- Wage and benefit budget increases shall not exceed CPI plus 1% unless supported by a business case and approved by Common Council.

The City's past practice has been to use NB CPI September year over year to calculate CPI and approve the Wage and Benefit Escalation Policy rate for each year. September year over year was used to ensure the most current CPI figure applied to the calculation.

To avoid uncertainty as well as to incorporate a risk management strategy to smooth the risk of fluctuation in CPI without compromising the use of the most current figures, staff recommend the following:

1. The Wage and Benefit Budget Escalation Policy be amended to include the definition of consumer price index.
2. New Brunswick Consumer Price Index be used in the formula.
3. The average of NB CPI for the months of January – September be used in the formula to smooth risk of fluctuation while still leveraging current year inflation data.

The Amendment to the calculation of CPI would have had no impact on the 2024 Wage and Benefit Escalation Policy had the recommendations in this report been used as demonstrated below:

2024 Wage Escalation Policy								
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
6.50%	5.90%	4.20%	4.30%	2.30%	2.10%	2.90%	3.50%	4.00%
							Average	4%

Conclusion

The Wage and Benefits Budget Escalation Policy is needed to ensure revenue growth is sufficient to fund expense growth, preventing structural deficits. The amendment to the Wage and Benefits Budget Escalation Policy will continue to mitigate the risk of the City falling into future structural deficits while increasing transparency of calculation within the policy.

SERVICE AND FINANCIAL OUTCOMES

The Wage and Benefits Budget Escalation Policy is aligned with Council Priorities and will contribute to the successful implementation of the Long-Term Financial Plan.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Input has been received from Finance Committee, CAO, Finance, Human Resources

ATTACHMENTS

Amended Wage and Benefits Budget Escalation Policy FAS-007