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1. PURPOSE AND CONTEXT

- 1.1. The City's long-term financial plan has put the City on a sustainable path and to continue to be sustainable, the City must find ways to control costs that have been escalating faster than its revenue growth.
- 1.2. To be sustainable, wage and benefit budget increases should not exceed assessment base growth.
- 1.3. Wage and Benefits Budget Escalation policy provides direction to staff and ensures that ability to pay is a consideration in future labor contract negotiations.

2. POLICY STATEMENT

- 2.1. The Wage and Benefits Budget Escalation Policy is established to ensure that the City is on a sustainable path by aligning expenditure growth with tax base growth.
- 2.2. The Wage and Benefits Budget Escalation policy objectives are as follows:
 - The City spends within its means.
 - Wage and Benefits Budget Escalation does not cause a tax rate increase in order to balance the General Operating Budget.
 - Wage and Benefits Budget Escalation does not cause a reduction in service levels in order to balance the General Operating Budget.
 - Wage and Benefits Budget Escalation does not exceed the City's assessment base growth.
 - All employee groups are treated equitably.

3. DEFINITIONS

- **Municipal Assessment Base for Tax Purposes** – means the total amount of property values for property tax purposes.
- **Assessment Base Growth** – means the percentage increase in the Municipal Assessment Base on an annual basis.

4. PRINCIPLES AND APPLICATION

4.1 Principles:

- 4.1.1 Wage and benefit budget increases must be affordable.
- 4.1.2 Wage and benefit budget increases must not exceed the assessment base growth.

City of Saint John
Wage and Benefits Budget Escalation Policy
(DRAFT)



- 4.1.3 Notwithstanding clause 4.1.2, wage and benefits budget increases cannot exceed the average of NB CPI for the months of January to September plus 1% in the prior year of annual budget (Example – 2025 Operating Budget would use January to September 2024 NB CPI for calculation), unless it is supported by a business case and approved by Common Council.
- 4.1.4 Bargaining or non-bargaining employees are treated equitably.

4.2 Application:

- 4.2.1 The Chief Administrative Officer shall recommend increases to wages and benefits budget in accordance with the Wage and Benefits Budget Escalation Policy.
- 4.2.2 Recommendations for increase in the wage and benefit budget shall be based on the previous three-year rolling average of Assessment Base Growth.
- 4.2.3 Utilizing a Three-Year Rolling Average is a recommended approach due to the following factors:
 - The fluctuation in the assessed value of properties for tax purposes will be smoothed out by the rolling average.
 - Historical trend can help predict future growth.
 - The Three-Year Rolling Average is a reliable source of information that can be validated.
 - A wage and benefit budget model based on the Three-Year Rolling Average is predictable, affordable and equitable.

Example of a 3-year rolling average of assessment base growth:

2017	2018	2019	3-Year Rolling Average
0.59%	0.39%	1.86%	0.95%

- 4.2.4 In any case, the increase in the wage and benefit budget shall not exceed the average of New Brunswick CPI from January to September plus 1% for the calendar year unless it is supported by a business case and approved by Common Council.

Example of NB CPI plus 1% for the calendar year:

2024 Calendar Year								
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
6.5%	5.9%	4.2%	4.3%	2.3%	2.1%	2.9%	3.5%	4.0%
							Average	4.0%

- 4.2.5 Any wage and benefit budget increases for employee groups that are beyond the Chief Administrative Officer's recommendation may result in a corresponding reduction in the workforce of those groups.

5. ROLES AND RESPONSIBILITIES

5.1 Council shall:

- 5.1.1 Approve the Wage and Benefits Budget Escalation Policy.
- 5.1.2 Direct staff to use the three-year rolling average of the assessment base growth in future contract negotiations.

5.2 Finance Committee shall:

- 5.2.1 Recommend the Wage and Benefits Budget Escalation Policy to Common Council for approval.
- 5.2.2 Review any changes to the Wage and Benefits Budget Escalation Policy in the future.

5.3 The Chief Financial Officer:

- 5.3.1 Review annually to ensure that wage and benefit budget increases are in compliance with the Wage and Benefits Budget Escalation Policy.
- 5.3.2 Update the three-year rolling average of the assessment base growth on an annual basis and make the information available to Human Resources and all employee groups.
- 5.3.3 Recommend any changes to the Wage and Benefits Budget Escalation policy in the future.