

COUNCIL REPORT

M&C No.	2019-323
Report Date	November 26, 2019
Meeting Date	December 02, 2019
Service Area	Corporate Services

His Worship Mayor Don Darling and Members of Common Council

SUBJECT: Workforce Adjustments – Addressing the Deficit 2021 and 2022

OPEN OR CLOSED SESSION

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

AUTHORIZATION

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

RECOMMENDATION

Common Council direct the City Manager to address 50% of the entirety of the deficit in 2021 and 2022 through workforce adjustments and personnel policy changes; and that the City Manager be authorized to draw up to \$2 million from the restructuring reserve funds to facilitate and/or encourage early departures to achieve any necessary workforce reductions.

EXECUTIVE SUMMARY

The purpose of this agenda item is to direct the City Manager to address 50% of the City's deficit in 2021 and 2022 through workforce adjustments and personnel policy changes in 2020 so as to realize the entire cost avoidance in time for the 2021 budget.

PREVIOUS RESOLUTIONS

Committee of the Whole – November 4th, 2019

Moved by Councillor Sullivan, seconded by Councillor Norton:

RESOLVED that the City Manager be directed to address 50% of the deficit in 2021 and 2022 through workforce adjustments and policy changes; and that the City Manager be authorized to consider \$1-3 million in restructuring funds to facilitate potential buyouts and corresponding workforce reductions.

MOTION CARRIED.

BACKGROUND

The City's current sustainability challenges are well documented in the ***Sustaining Saint John – A Three Part Plan*** and previous Reports to Council. A full progress report with respect to ***Sustaining Saint John – A Three Part Plan*** was provided in open session of Council on November 18th.

Based on the most recent property tax assessment data released by the Province of New Brunswick and on further refinement of additional budget considerations, the updated forecast deficit is \$9 million for 2021 and \$11 million for 2022. Therefore, for planning purposes, staff are now using the average of both years (\$10 million annually) as the overall target for deficit reduction. This forecast is clearly subject to change based on a wide variety of factors, and will further evolve over the coming months.

On 7 October 2019, the City Manager briefed Common Council on 60+ ideas that could be considered to address the entirety of the deficit for 2021 and 2022. The main ideas directly related to the City's workforce were: (1) a freeze to the total salary and benefit budget envelope for a two-year period and (2) a 50% reduction to the size of the casual workforces in Parks and Recreation and in Public Works. These two initiatives would yield approximately \$2.5 million in total cost avoidance in 2021 and \$5 million in cost avoidance in 2022. Put another way, these initiatives would yield approximately 37% of the cost avoidance required to address the cumulative anticipated deficit of \$20 million in 2021 and 2022.

At Committee of the Whole (COTW), the preliminary ideas mentioned above were discussed and it was the will of Committee that a larger portion of the entirety of the deficit be addressed through workforce adjustments and changes to personnel policies.

In 2020, approximately 57% of the City's total budget will be spent on what is commonly referred to as "people costs". This includes pay, benefits and pension contributions. Therefore, it was the view of Committee that "people costs" reductions should represent a proportional

value of the required budget reductions. Under this guiding principle, COTW passed a resolution providing direction to the City Manager to address 50% of the entirety of the deficit through reductions in “people costs”.

The resolution intentionally did not specify how these costs were to be avoided. Rather, it was the desire of COTW to provide the City Manager with the flexibility to find 50% of the entirety of the deficit through workforce initiatives deemed most appropriate.

Since workforce reductions are all but inevitable in order to achieve Council’s 50% mandate, the City must take full advantage of natural attrition as a preferred option. Recognizing that this may not yield the reductions required, or it may not be viable to accept reductions through natural attrition in certain areas, COTW also supported the use of restructuring funds, within available amounts, to be used at the City Manager’s discretion for severance payments and possible voluntary departure incentives. The original approved motion in COTW stated a range of \$1-\$3 million from the restructuring reserve for this purpose. The range was provided since more work was required to determine what amount would be available. Now knowing that the restructure reserve will have over \$2 million available, the proposed resolution for Council has been amended accordingly.

The City Manager advised Committee that “buyouts” and early retirement incentives, commonly referred to as a voluntary separation program, will ONLY be considered for positions that can be permanently eliminated from the establishment (or an equivalent offset) and provide the City a return on its investment. Therefore, departure incentives will only apply to a limited few and will be solely at the discretion of the City Manager based on a determination of whether the position can be effectively eliminated from the current organizational structure.

Assuming that the COTW resolution is approved in open session of Council, the City Manager and the Senior Leadership Team will work with the City’s Labour Unions to identify and explore possible solutions to the challenge that lies ahead. There will also be a follow-on update to Common Council with respect to any future impacts to Management and Professional Staff. The Police and Parking/Transit Commissions will also have a pivotal role to play with their workforces in addressing the deficit challenge that lies ahead.

STRATEGIC ALIGNMENT

The actions and outcomes resulting from this resolution are fully aligned with Council’s Priority ‘*Economic Health*’, as well as with the City’s Service Principles of “*Sustainability*”.

SERVICE AND FINANCIAL OUTCOMES

The actions and outcomes resulting from this resolution are critical to the long-term sustainability and financial viability of the City of Saint John.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Implementation of this resolution is being led by the City Manager's Office in cooperation with the Commissioner of Finance and Director of Human Resources, with support from the City's Senior Executive Team.

Further communications and updates will be provided to the City's employees and each of the City's workforce groups.

ATTACHMENTS

None.