



Long Term Financial Plan Targets and Principles

City of Saint John

January 2019



SAINT JOHN

Purposes of the Presentation

- Staff's Proposed Financial Targets and Principles for the Long Term Financial Plan
- High level discussion of potential impacts on the City's Budget
- Finance Committee's feedback
- Recommend adoption of the Financial Targets and Principles

Saint John – A Sustainable Community

What does it mean to be a Sustainable City?

“A Sustainable City simply means the ability to meet the present and future economic, social and environmental needs of today’s citizens without compromising the ability of future generations to meet their own needs”

From a financial perspective, a sustainable city:

- Provides affordable, reliable and consistent levels of service over the long term;
- Is able to absorb financial shocks caused by economic or natural adversities without external financial assistance (resiliency);
- Is able to pay for its services (full costs - operating as well as capital costs) from its own sources of revenues;
- Does not shift tax and debt burden to future generation by deferring capital costs or borrowing excessively.

Financial Principles

Why Financial Principles are needed?



- Financial principles are cornerstone of a Solid Long Term Financial Plan
- They will help guide Staff in the process of developing a 10 Year Financial Plan
- They help achieve the ultimate goal – **A Financially Sustainable Saint John**

Financial Targets and Principles

TARGETS

- Stable tax rate with a preference for future tax reduction;
- The Budget has to be structurally balanced;
- Revenue increases beyond growth assumptions in the 10-Year Financial Plan will be used for Tax Reduction Strategy.

PRINCIPLES

1. Sustainability

- ***Limit increase in Tax Burden:***
Continued Increases in Property Taxes will strain Taxpayer's Ability to Pay (Saint John has lower median Household Income compared to the surrounding communities and peer cities)



Operating Budget Policy



SAINT JOHN

Financial Targets and Principles

TARGETS

- Reduce Infrastructure Deficit by 25% over 10 years
- Increase Pay-As-You-Go (Capital from Operating) budget by \$1 Mil/year

PRINCIPLES

1. Sustainability:

- *Invest in infrastructure renewal and replacement according to the Asset Management Plan*
- *Continue to address Infrastructure Deficit*



Asset Management Policy



Capital Budget Policy



Financial Targets and Principles

TARGETS

- Introduce Wages Escalation Policy to align wages and benefits increases to revenue growth

PRINCIPLES

1. Sustainability:

- *Align Expenditure Growth to Revenue Growth*



Operating Budget Policy

Financial Targets and Principles

TARGETS

- Reduce Debt Balance by 25% over 10 Years or 2.5% per Year
- Increase contributions to capital reserves by 10% per year

Debt Management Policy

PRINCIPLES

2. Flexibility

- *Active Debt Management to reduce Debt Level.*

3. Vulnerability

- *Adequate reserves to minimize financial risks to tax payers and address Infrastructure Deficit*



Capital Budget Policy



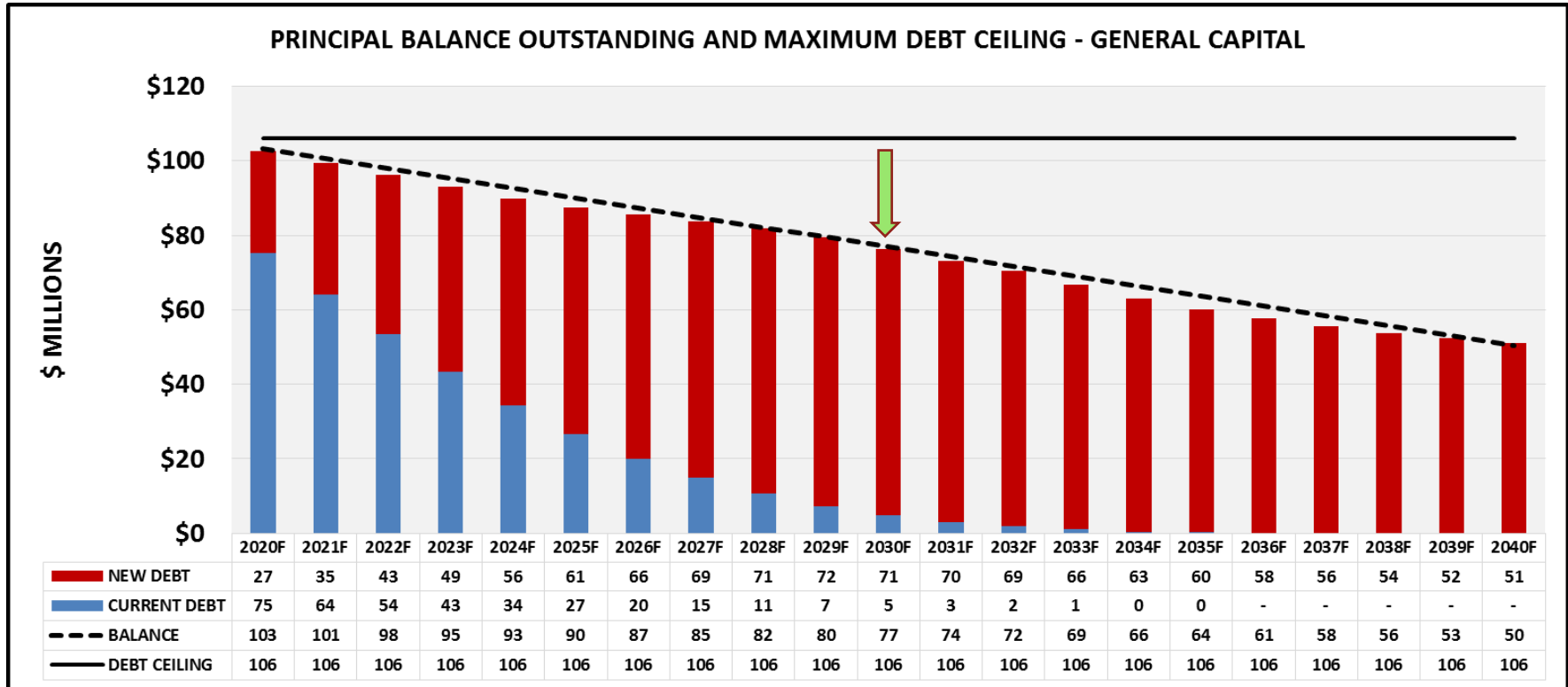
Operating & Capital Reserves Policy



City's Budget Implications as a result of applying the Financial Principles to achieve the Targets

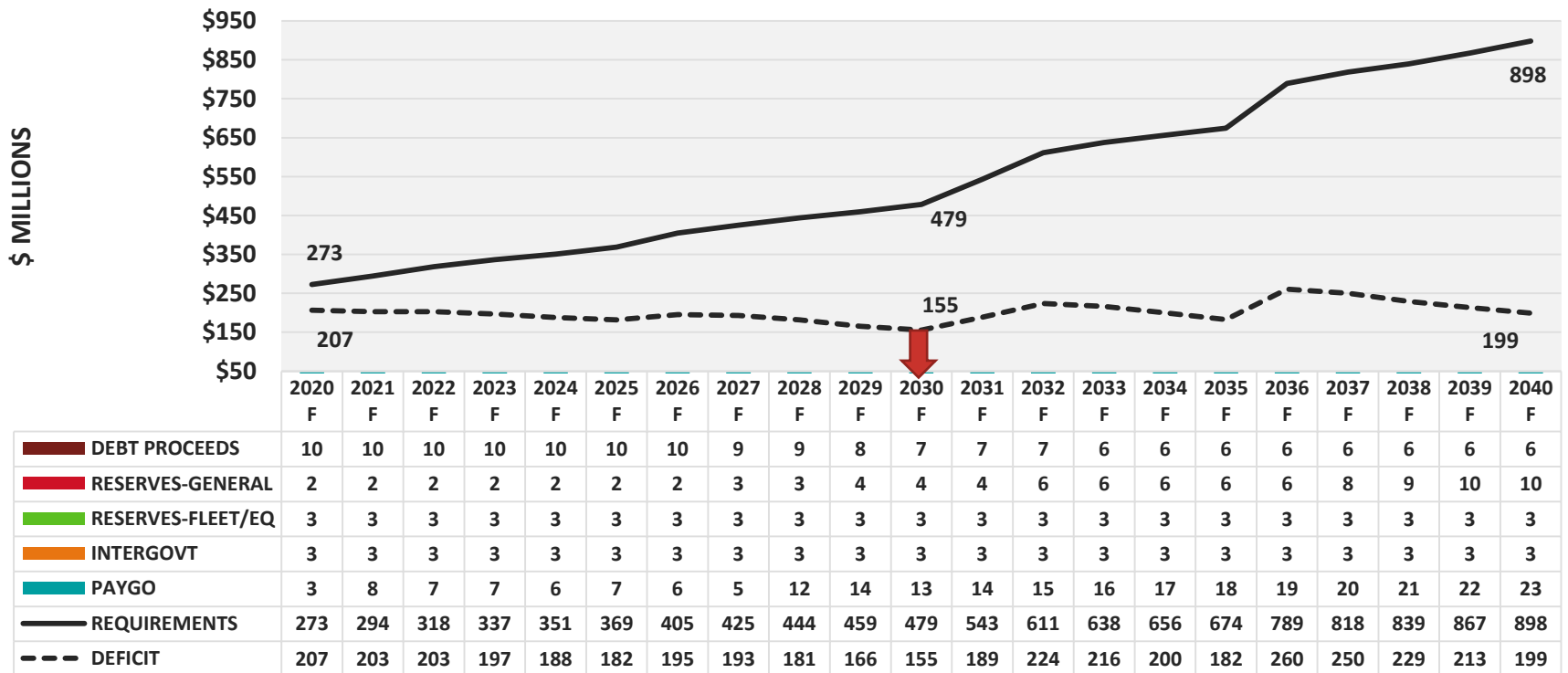
- Reduce budget or Increase revenue (new revenue) by \$15 Mil;
- Increase pay-as-you-go (capital from operating) every year by \$1 Mil per year;
- Increase contribution to capital reserves by 10% per year;
- Reduce Debt Balance by 2.5% every year starting 2019 (Borrowing for capital expenditures will decrease over time from \$10Mil/Year to \$6Mil/Year);
- Introduce Wages Escalation policy to mitigate risk of future structural deficits due to wages escalations exceeding revenue growth

Debt Balance will reduce from \$103 Mil in 2020 to \$77 Mil in 2030 (25% reduction)



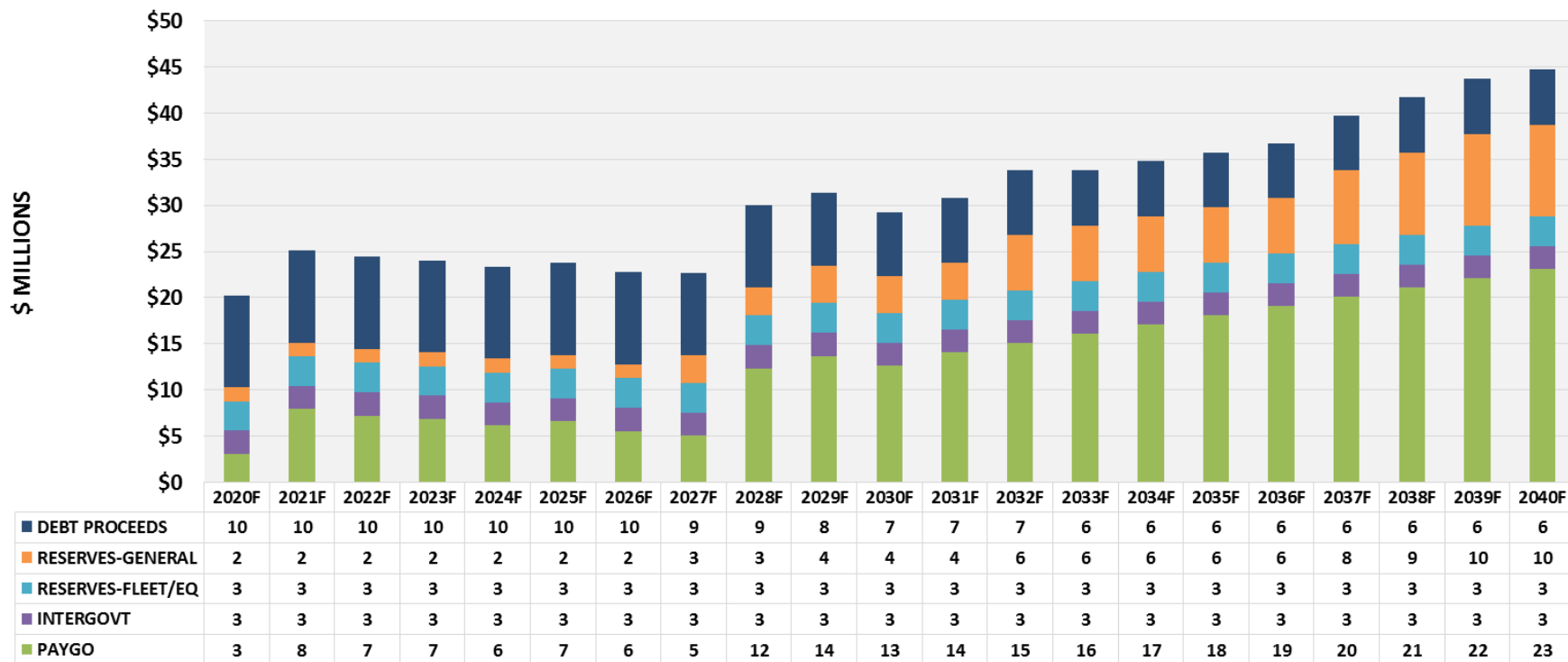
Infrastructure deficit will decrease from \$207 Mil in 2020 to \$155 Mil in 2030 (25% reduction)

CUMULATIVE INFRASTRUCTURE DEFICIT AND ANNUAL FUNDING - GENERAL CAPITAL

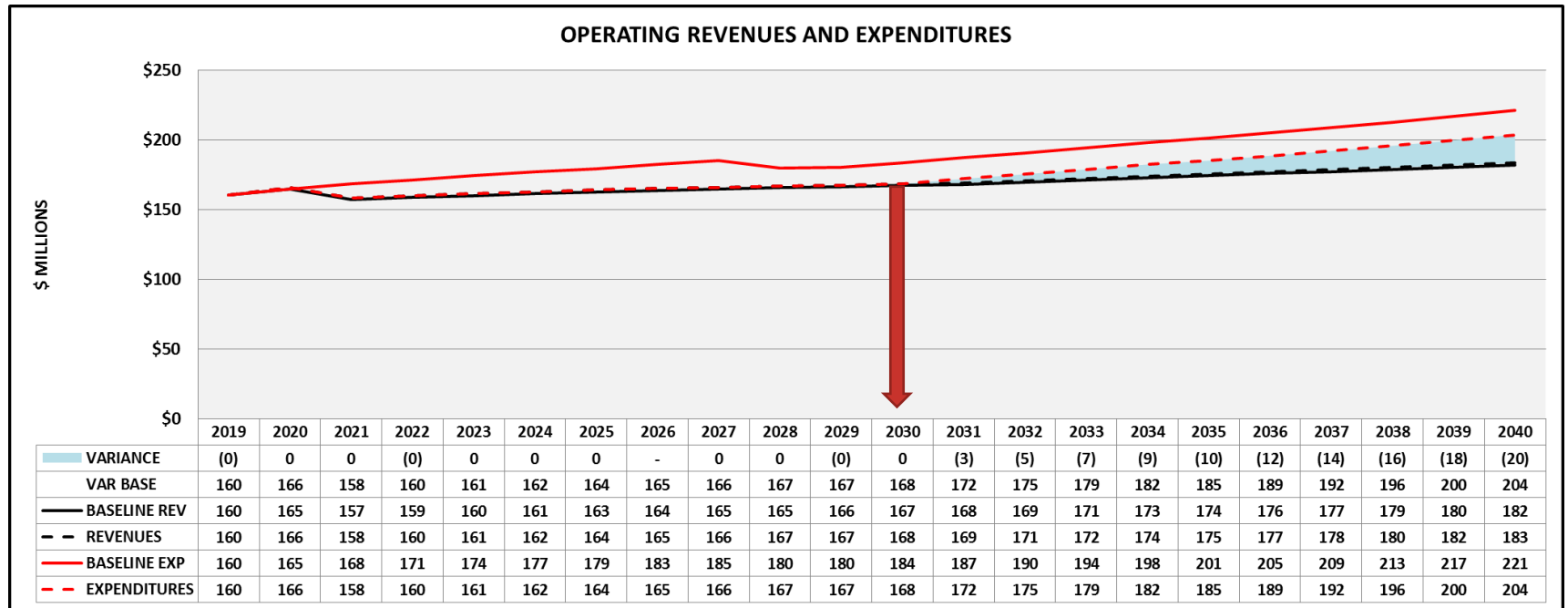


Funding for capital will increase due to increase in pay-as-you-go and the City is less reliant on debt to fund capital expenditures

ANNUAL FUNDING SOURCES - GENERAL CAPITAL



The City will achieve a Structurally Balanced Budget over the next 10 years



Next Step

- Consider recommendations from the Municipal/Provincial Sustainability Report;
- Complete & Report on Public Engagement Results;
- Updated State of the Infrastructure (SOTI) Report;
- Finalize Debt Management and Long Term Financial Plan policies;
- Prepare Wages Escalation Policy for Finance Committee's and Council's approval;
- Prepare 10-Year Operating and Capital Investment Plans.

Recommendation

It is Recommended that the Finance Committee direct staff to incorporate the Financial Principles and Targets as presented in the Draft 10 Year Long Term Financial Plan



Q & A

