



The City of Saint John

MINUTES – OPEN SESSION FINANCE COMMITTEE MEETING
DECEMBER 6, 2018 AT 5:15 PM
8th FLOOR BOARDROOM, CITY HALL

Present: Mayor D. Darling
Councillor D. Merrithew
Councillor G. Sullivan
Councillor S. Casey

Absent: Councillor D. Reardon
Councillor G. Norton

Also

Present: Acting City Manager N. Jacobsen
Commissioner of Finance and Treasurer K. Fudge
Commissioner Growth & Community Development J. Hamilton
Comptroller Finance C. Graham
Senior Manager Financial Planning H. Nguyen
Director Corporate Performance S. Rackley-Roach
Assistant Comptroller Finance and Administrative Services C. Lavigne
Deputy Commissioner Administrative Services I. Fogan
Commissioner Transportation & Environment M. Hugenholtz
Web Specialist T. McGraw
Senior Financial Analyst J. Forgie
Fire Chief K. Clifford
CEO Transit & Parking Commissions I. MacKinnon
Corporate Performance N. Moar
Deputy Commissioner Saint John Water K. Mason
Director Strategic Real Estate Services S. Carson
Energy Manager S. Yammine
Planner J. Cyr
Administrative Assistant K. Tibbits

1. Meeting Called To Order

Moved by Councillor Sullivan, seconded by Councillor Casey:
RESOLVED that the Finance Committee resume in open session.

MOTION CARRIED.

Councillor Merrithew called the Finance Committee open session meeting to order.

1.1 Approval of Minutes – October 17, 2018

Moved by Councillor Sullivan, seconded by Councillor Casey:
RESOLVED that the minutes of October 17, 2018, be approved.

MOTION CARRIED.

1.2 Coast Guard Administration Building

Referring to the submitted report Mr. Fogan reviewed the options as it relates to the building on the Coast Guard site. Options include:

- Reinvestment in the building and subsequent lease/sale of the site - Significant work would be required to bring the building to an appropriate standard, at an approximate cost of \$2.9M. There is no business case to support this option.
- Maintain the building in its current condition and attempt to lease/sell the site - An investment would be required to keep the building in its current condition and prevent further deterioration, at a cost of approximately \$150K every year to maintain it.
- Demolition of the Coast Guard building - Staff is recommending the demolition at an approximate cost of \$1M although there may be opportunity to mitigate some of this expense. Once the site is clear and the seawall remediated, the expected value of the site is \$3.5M. It is further recommended that the site be used as a temporary parking lot, estimated to generate \$100,000 annually in parking revenue. This revenue used to replenish the reserves used for demolition.

Moved by Councillor Sullivan, seconded by Mayor Darling:

RESOLVED that the Finance Committee:

- Recommend to Council to approve the transfer of \$500,000 of the projected 2018 General Operating Fund surplus to the General Operating Reserve Fund to partially fund demolition work in 2019;
- Recommend that Common Council allocate \$500,000 approved in the 2018 Capital Budget for Growth to fund demolition work in 2019;
- Refer to the Growth Committee to approve the use of the 2018 Growth Capital Budget envelope for Growth to fund demolition in 2019;
- Direct staff to negotiate a Memo of Understanding with the Saint John Parking Commission for the management and operation of the parking lot at the former Coast Guard Site;
- Direct staff to proceed with application to PAC to obtain a temporary parking lot and comply with conditions set out by PAC;
- Direct City pro-rata portion of proceeds from parking revenue be used to replenish the General Operating Reserve Fund used to pay for demolition.

MOTION CARRIED.

(Mr. Carson, Mr. Yammine and Mr. Cyr withdrew from the meeting)

1.3 2018 Year End Forecast and Reserve Recommendation

Ms. Nguyen reviewed the year-end forecast for 2018, noting that there is an estimated surplus of \$1.2M at the end of October before reserve recommendations. If reserve recommendations are taken into account the surplus is reduced to approximately \$164K. There is still an approximate \$5.9M structural deficit.

Moved by Councillor Sullivan, seconded by Mayor Darling:

RESOLVED that the Finance Committee recommend to Common Council to approve the transfer of:

- \$400,000 to an Operating Reserve to cover the potential increase in WorkSafeNB premiums;
- \$400,000 to the General Capital Reserve to fund infrastructure deficit;
- \$500,000 to an Operating Reserve to fund the demolition of the Coast Guard Administration Building in 2019;
- \$100,000, which is the amount needed to complete the Market Slip Dredging to an Operating Reserve to be used in 2019;
- \$1 Mil which is the projected surplus in the Utility Operating Fund to the SCDW project reserve fund;
- Any fluctuation in the value of the City's employee benefit programs due to actuarial gains to an Operating Reserve annually in order to fund future losses;
- Approve the "Reserve Schedule A" submitted with the report.

MOTION CARRIED.

Mr. Mason reviewed projections for Saint John Water with an estimated year end surplus of approximately \$1.1M. A large portion of the surplus is attributed to a higher volume of water sold to industry and increased interest earned on SCDW funds. Neither of these items are reoccurring revenues. There is still considerable risk to the SCDW project until it is substantially complete.

In response to a question, Mr. Fudge stated that if the reserve is not needed for the SCDW project, it would be used to reduce the debt on the remainder of the project.

Moved by Mayor Darling, seconded by Councillor Casey:

RESOLVED that the Finance Committee recommend that Common Council transfer \$1M to the Safe Clean Drinking Water Project Reserve for 2018.

MOTION CARRIED.

1.4 Transit Building Fund Reserve

Mr. MacKinnon stated a year-end surplus of approximately \$130K, largely linked to an increase in ridership revenue and charter service, is predicted. It is recommended that \$100K of the surplus be transferred to the Building Reserve fund. There are no pending projects, but given the age of the building maintenance will be required in the future.

Moved by Mayor Darling, seconded by Councillor Casey:

RESOLVED that the Finance Committee recommend to Common Council to authorize the transfer of \$100,000 into the Transit Building Reserve Fund as a result of the estimated 2018 year end operating surplus.

MOTION CARRIED.

1.5 2019 General Operating Budget

Mr. Fudge stated that tax base and unconditional grant information has been received from the province. Tax base growth is 1.86%, an increase from the original draft budget projection of 0.5% growth. This represents approximately \$1.6M in additional tax revenue. Although the 1.86% growth is encouraging, it lags considerably from other peer communities. Unconditional grant revenue is \$17.3M, approximately \$750K more than assumed in the first draft. A combination of the two revenues is \$2.3M.

There is an agreement with the province respecting the city's structural deficit; assumptions used in the structural deficit was a 1% tax base increase. Because tax base growth was 1.86%, the 0.86% increase will be given back to the province. In addition, it was assumed that the

unconditional grant would remain the same. Overall \$1.8M will be given back to the province. Adjustments to the budget are approximately \$600K. The tax rate remains the same.

Moved by Mayor Darling, seconded by Councillor Casey:

RESOLVED that the Finance Committee recommend to Common Council that:

1. That the sum of \$160,257,783 be the total Operating Budget of the City of Saint John for 2019;
2. That the sum of \$123,577,054 be the Warrant of the City of Saint John for 2019;
3. That the tax rate for the City of Saint John be \$1.785;
4. That Common Council orders and directs the levying by the Minister of Environment and Local Government of said amount on real property liable to taxation under the Assessment Act within the Municipality of Saint John;
5. That Common Council authorizes the Commissioner of Finance and Administrative Services to disburse, at a time acceptable to him, to the named Commissions, Agencies and Committees, the approved funds as contained in the 2019 budget;
6. That Common Council approves the 2019 Establishment of Permanent Positions at 627;
7. That Common Council approves \$350,000 to the Growth Reserve Fund to support the City's growth initiatives;
8. That Common Council approve \$500,000 to the Capital Reserve Fund to fund infrastructure deficit; and,
9. That Common Council approve \$300,000 to the Operating Reserve Fund to support a Restructuring Plan.

MOTION CARRIED.

Adjournment

Moved by Councillor Sullivan, seconded by Councillor Casey:

RESOLVED that the open session meeting of the Finance Committee be adjourned.

MOTION CARRIED.

The Finance Committee open session meeting held on October 17, 2018 was adjourned at 6:45 p.m.