

Presentation to Common Council

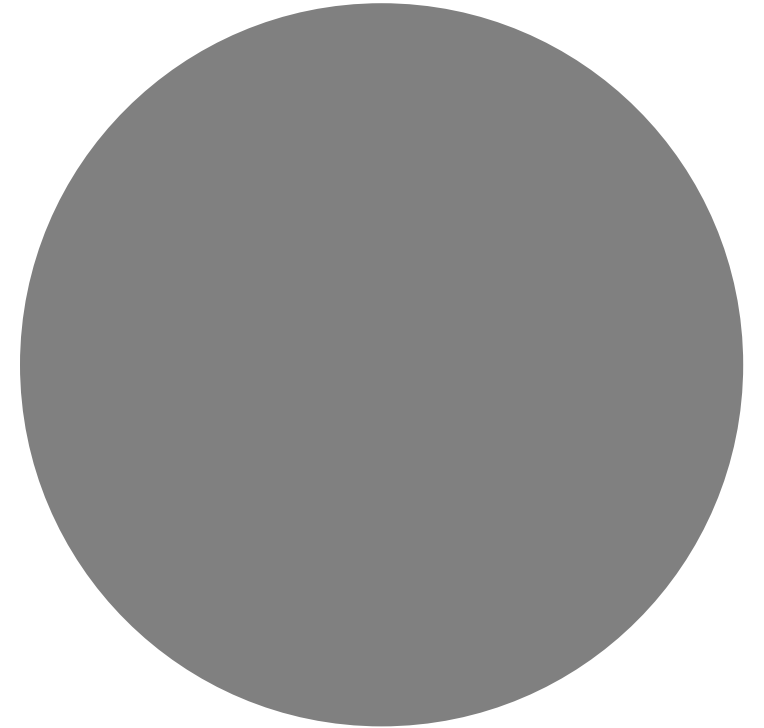
CUPE Local 18

CUPE Local 486

Saint John Police Association

ATU 1182

January 13, 2020



To begin, generally our members support:

- Council's review of all aspects of the City's operations
- Council's efforts to prioritize regional service discussions
- Council's and Management's efforts to improve the efficient delivery of services
- Heavy Industry tax reform

- There has been an inordinate amount of negative press coverage being fueled by the Mayor and some councillors that the City of Saint John faces a “chronic structural deficit” claiming that expenses are increasing each year by about 3% while revenues (from tax base growth) only average an increase of 1%. (City of Saint John website)
- On behalf of the City Workers who work and care for the City of Saint John, the majority of whom are residents, we welcome the opportunity to present the fiscal realities facing the City.

The main source of revenues in Saint John come from property taxes.

(78% of overall revenues)

**Residents and City Employees should
not be subsidizing Heavy Industry
sweetheart deals**

The Tax Structure

Between residential, commercial and industrial, tax rates in NB are inequitable compared to the National average.

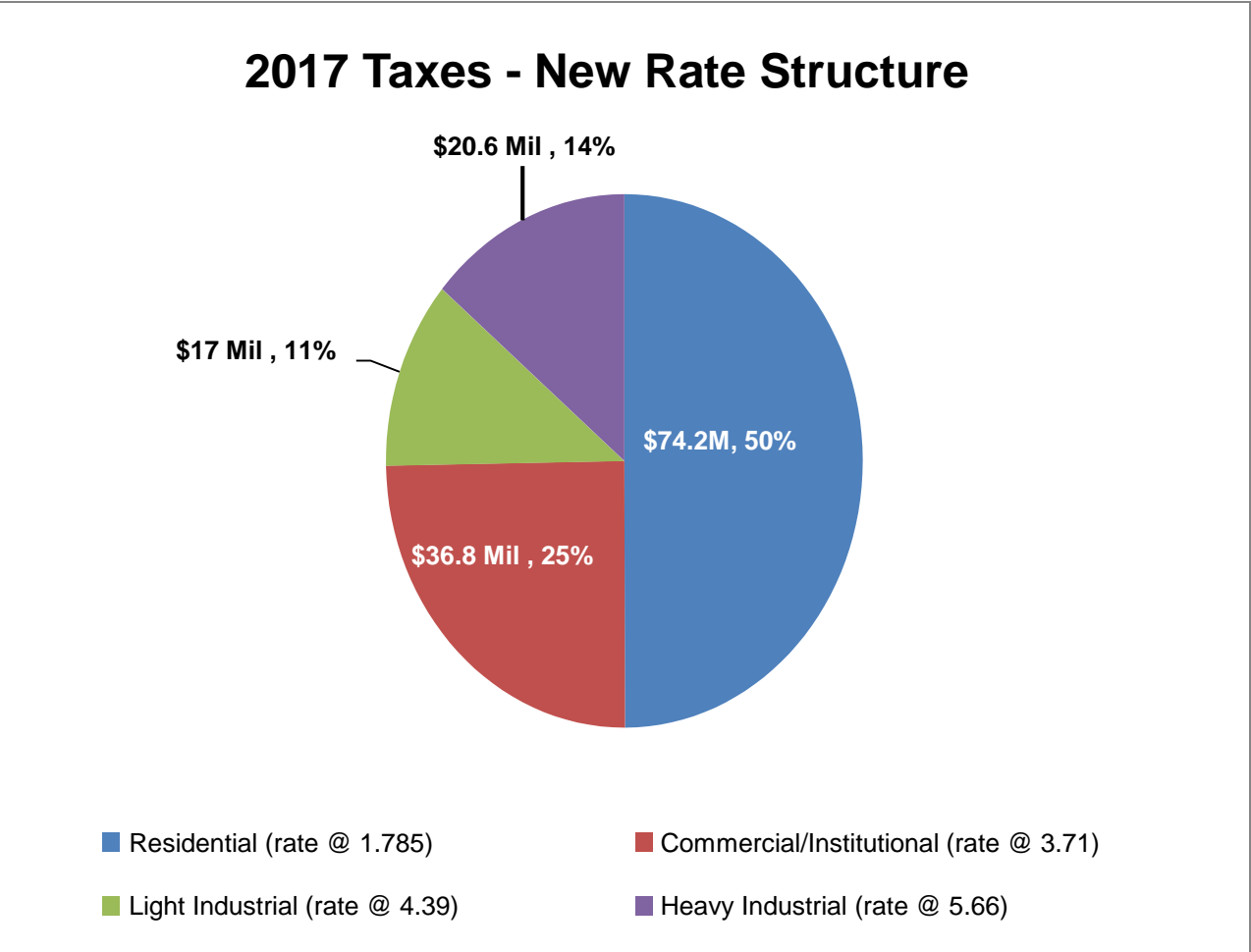
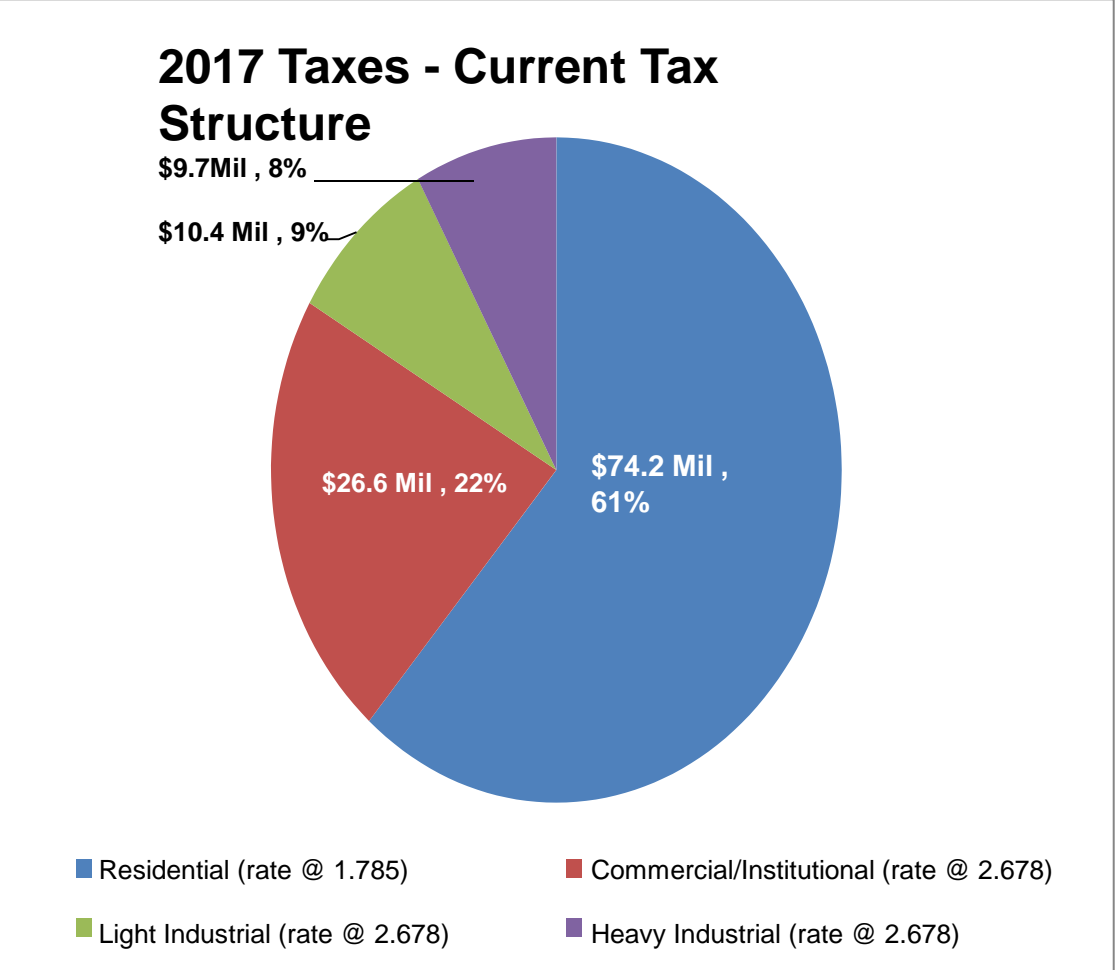
- a) Revenues lost**
- b) Too much financial burden placed on residents**

For example:

Municipal tax ratios in selected Canadian Municipalities, 2015 (Source: fair taxation report)⁵

	<u>Commercial</u>	<u>Industrial</u>	<u>Major/Large Industrial</u>
Prince George, BC	2.0509	3.298	6.0228
Sarnia, Ontario	1.6271	2.0476	3.0035
Sault Ste. Marie, Ontario	2.1404	2.9624	5.2614
Greater Sudbury, Ontario	2.1397	3.1038	3.5180
Saint John, NB	1.5000	1.5000	1.5000
Sydney, NS	2.4942	2.4942	2.4942
St. John's, NL	3.2346	3.2346	3.2346
Strathcona County, AB	1.9842	1.9842	1.9842
Regina, Saskatchewan	1.5123	1.5123	1.5123
Average	2.0759	2.4597	3.1701

The charts below provide a view of what the City's property tax revenue and distribution would be **if the City adopted a new rate structure** based on the tax ratios presented in the previous slide to comparable municipalities. (cited in the October 16, 2017 report to City Council)



October 2017 Report

In conclusion, the property tax reform included in the above analysis is estimated to generate sufficient property tax revenues to significantly reduce the residential tax rate, remove the City's dependency on the provincial unconditional grant due to the Province vacating the practice of levying property taxes. (1.5 % cap on Industrial rates)

Therefore, staff recommends the following October 16, 2017:

Resolved that:

- Common Council requests the Province to vacate the levying of provincial property taxes to provide tax room for municipalities;
- Common Council requests the Province to change legislation to provide municipalities control over setting tax classes and tax rates;
- Common Council requests the Province to end the assessment freeze as quickly as possible;

What is the status of these requests?

- Why has the City stopped educating the Public and stopped lobbying the Province for this necessary change?

Heavy Industry sweetheart tax breaks are creating a financial gap between revenues and costs negotiated by the City.

2005 LNG sweetheart deal cost Saint John approximately \$107 million

- Built for approximately \$1.2 billion
- Annual tax revenue should have been approximately \$8 million but only collected a mere \$1/2 million.
- Council and Government gave Irving a \$7.5 million annual discount even though Irving was guaranteed \$20 million US a year from Repsol.
- **From 2005 until 2017 approximately \$90 million was not collected.**
- In 2017, when the legislation was repealed, the tax assessment was contracted out to a “pro-industry” tax assessor, that lowered the assessment from \$300 million a year to \$98 million for an annual tax reduction of \$5.5 million.
- **Since 2017, approximately \$16.5 million was not collected for a total loss of approximately \$107 million.**

Water: Our Most Precious Resource

Heavy Industry

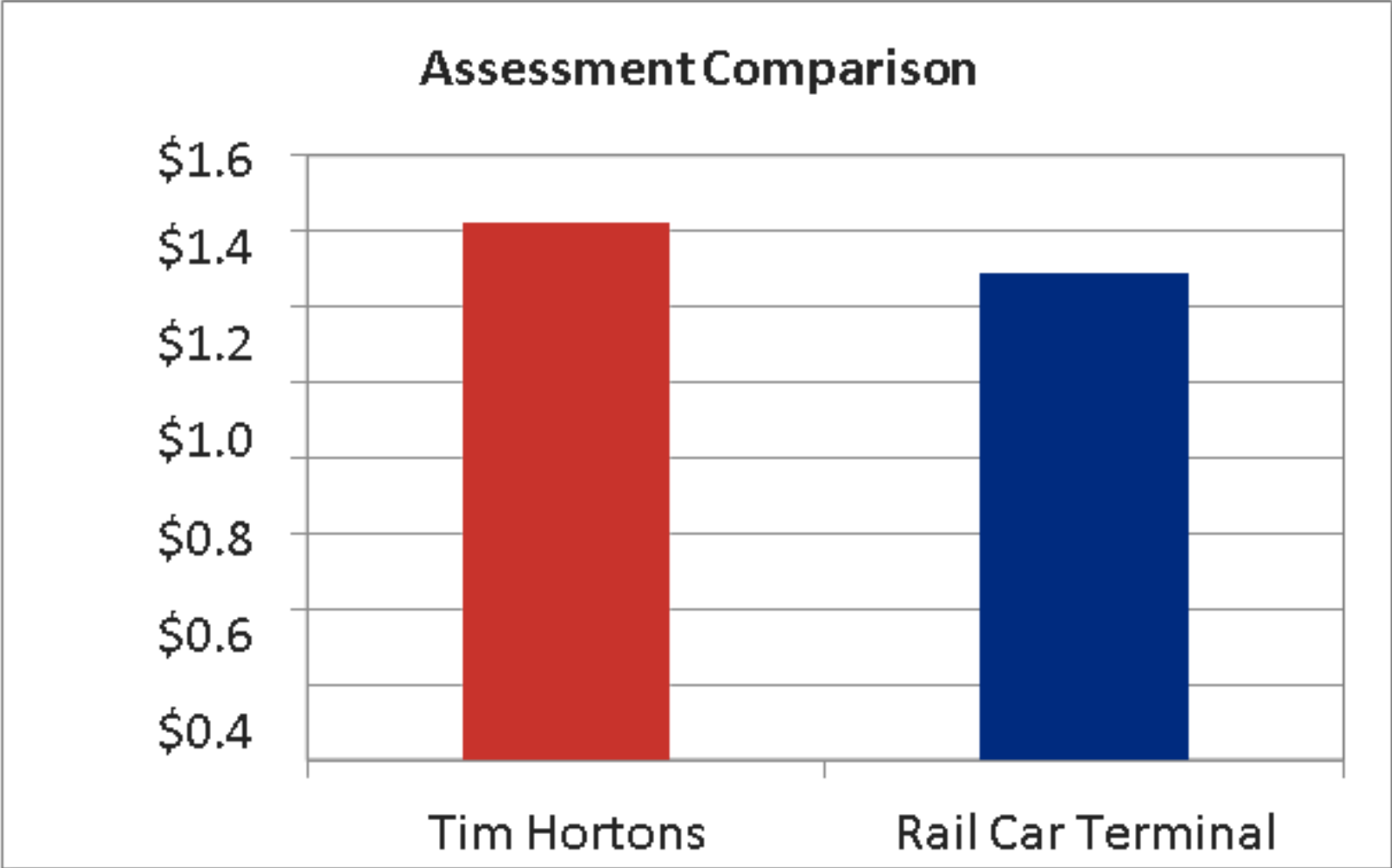
- November 2019 the City of Saint John negotiated special water rates for Heavy Industry:
 1. Reducing Heavy Industry contributions to Saint John's water system by \$6.1 million.
 2. Heavy Industry pays approximately \$560,000 less for Saint John water.

Residents

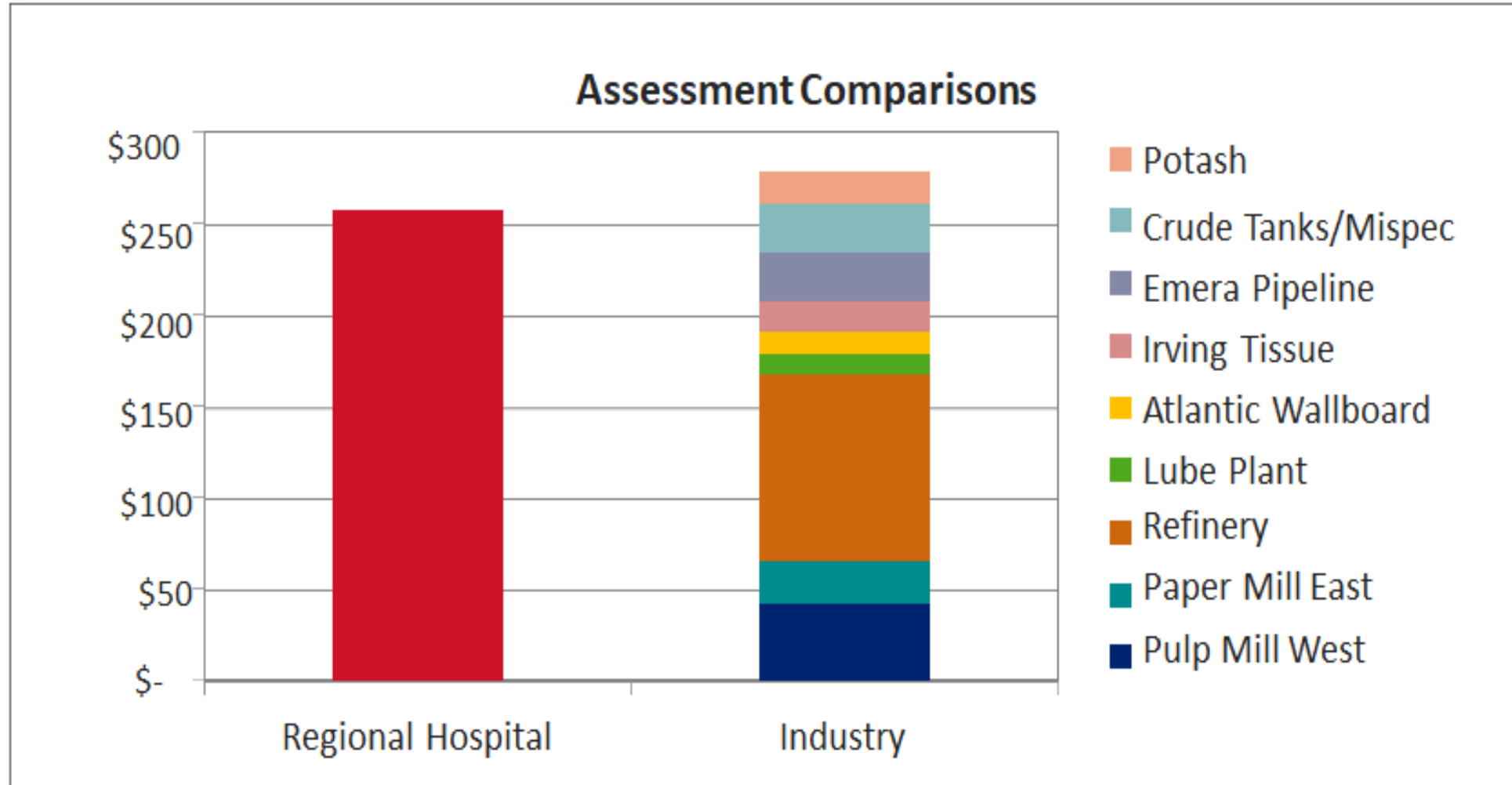
- Residents' water rates will increase 23% in 2020
- Residents' water rates will further increase 2.3% on average every year thereafter until 2029.

**Inequitable property assessment rates for Heavy Industry have caused hundreds of millions of dollars in loss of revenues for Saint John.
(non-Legislative changes)**

Does this make sense?



Does this make sense?



Improper Assessment Rates (2017)

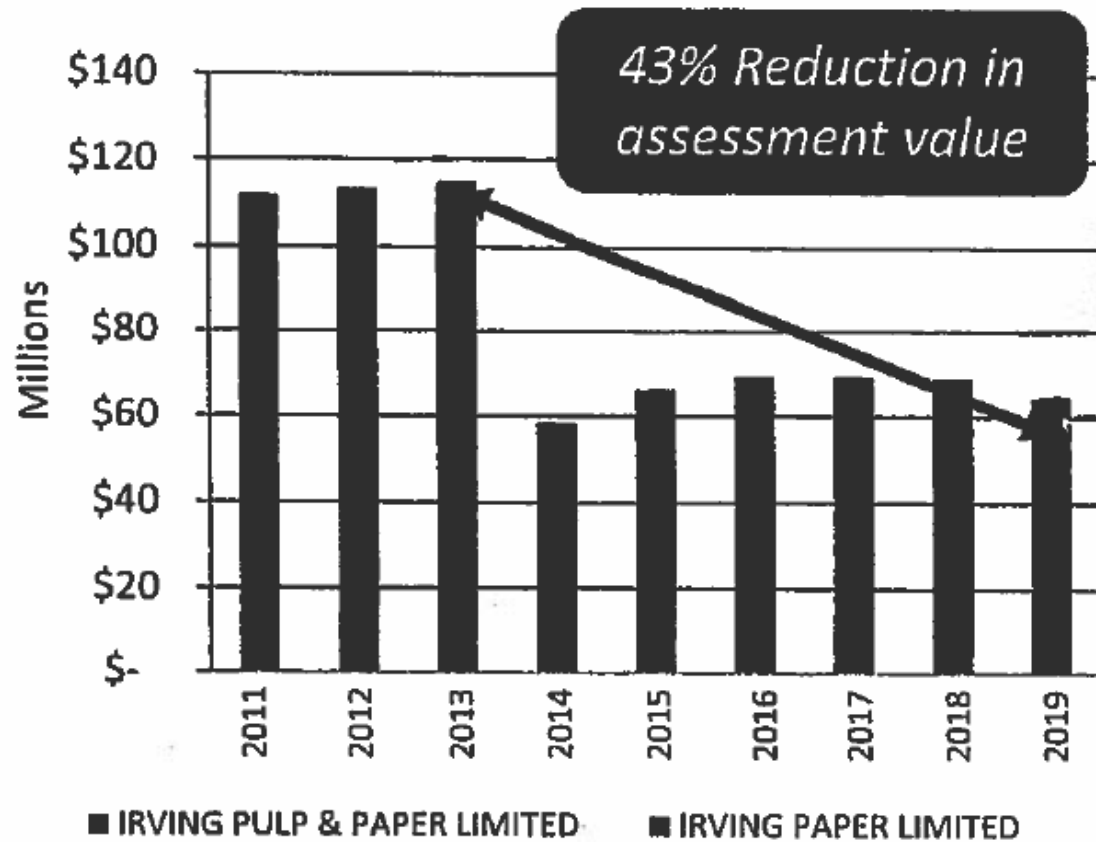
<u>Owner</u>	<u>Description</u>	<u>Assessment</u>	<u>Municipal Taxes</u>
Saint John Regional Hospital	Land & Building	\$256,206,300	\$4,573,282
Irving Oil Limited	Land & Oil Refinery	\$98,553,200	\$2,638,762
Irving Oil Limited	LNG	\$98,000,000	\$2,623,950
NB Power Corporation	Coleson Cove	\$93,181,500	\$2,494,935
University of NB	UNBSJ	\$71,674,000	\$1,279,542
McAllister Place Holdings Inc	Land & Building	\$69,736,900	\$1,867,205
Province of NB	Community College	\$42,356,200	\$756,058
Province of NB	Saint John Law Courts	\$41,622,600	\$1,114,445
Irving Pulp & Paper Ltd.	Pulp & Paper Mill	\$39,485,400	\$1,057,222
St. Joseph's Hospital	Land & Building	\$34,584,700	\$617,337
Calloway Reit (Saint John) Inc	Strip Mall Complex	\$30,593,200	\$819,133
Irving Paper Limited	Bayside Pulp Mill	\$29,905,000	\$800,706
SOT Brunswick Square Inc	Office & Retail	\$28,348,000	\$759,018
Saint John Port Authority	Port Parcel	\$27,234,400	\$729,201
Emera Brunswick Pipeline	Pipeline	\$26,001,000	\$696,177
JD Irving Limited	Office Building	\$21,234,300	\$568,548
7724993 CANADA INC	Mall - Land & Building	\$18,625,300	\$498,692

Compare the 2018 assessemnt inequities:

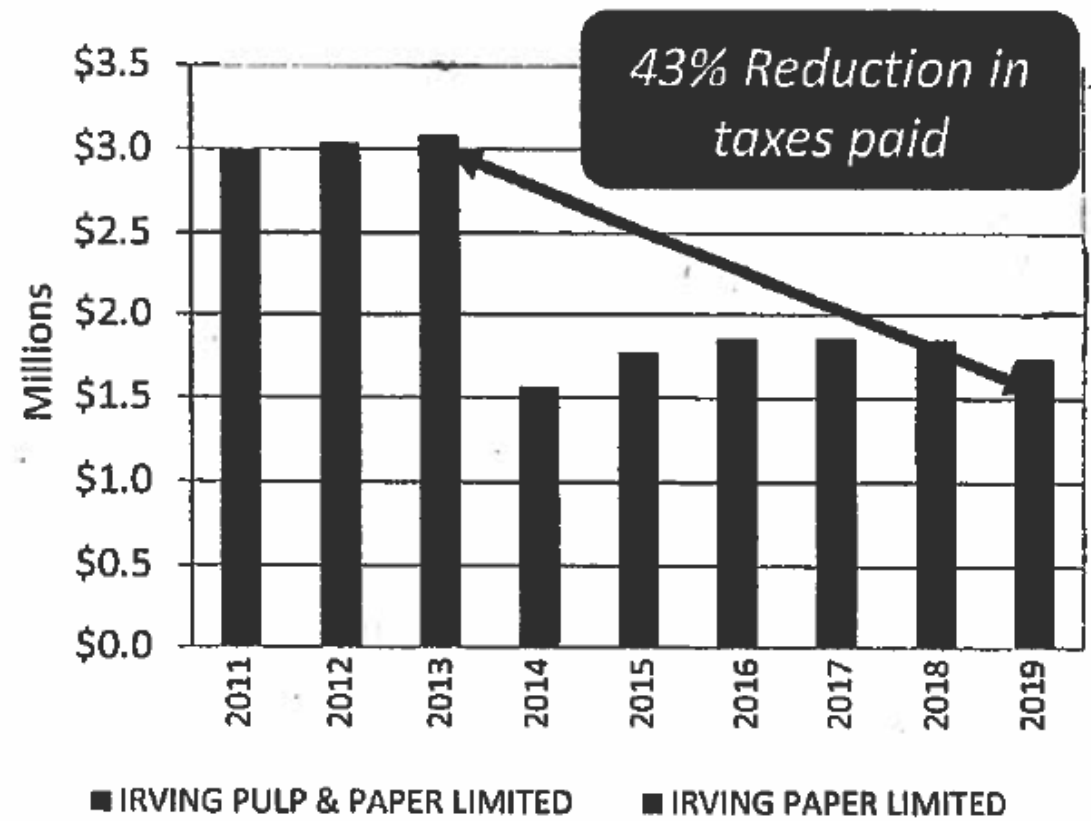
	Assesement	Municipal Taxes
Irving Tissue	\$17.4 m	\$0.8 m
Irving Pulp & Paper	\$41.6 m	\$2 m
Irving Paper	\$23.3 m	\$1.1 m
Total	\$82.2 m	\$3.9 m
Saint John Regional Hospital	\$259.3 m	\$4.6 m
Difference	- \$177.1 m	- \$0.7 m

When Blaine Higgs was Finance Minister, before losing the 2014 election, his Conservative government changed the assessment rates for the following Heavy Industries in Saint John

Municipal Property Assessment



Municipal Property Taxes Paid

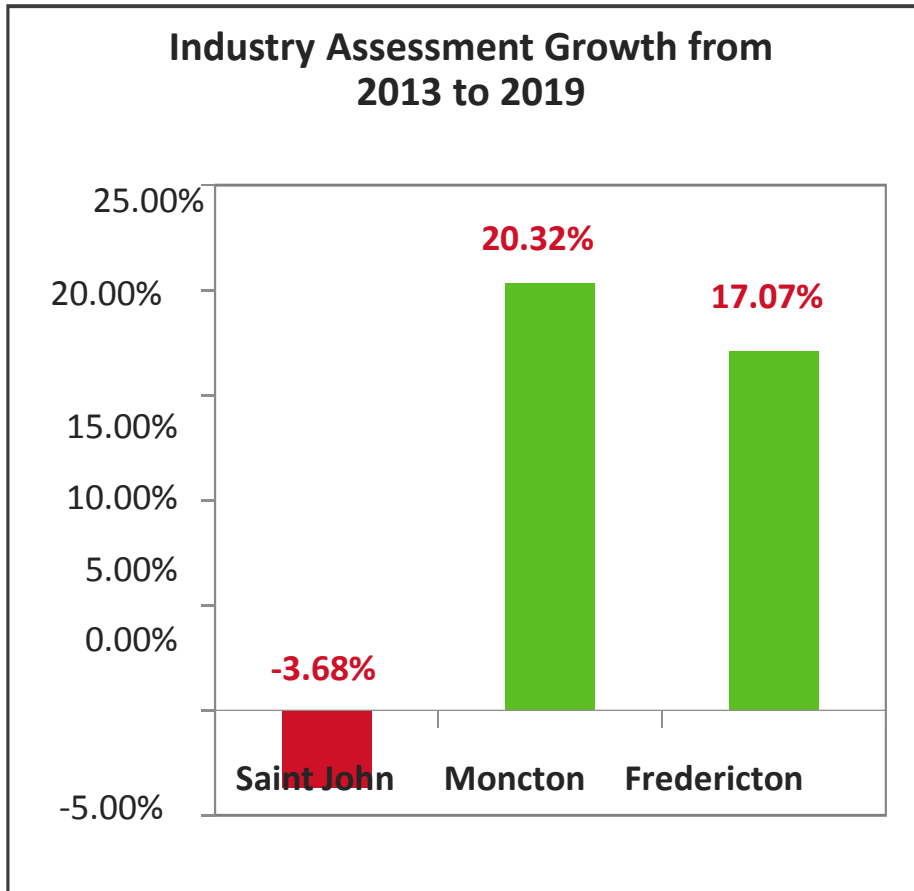


	2013 Assessment	2014 Assessment	2015 Assessment	2016 Assessment	2017 Assessment	2018 Assessment	2019 Assessment
Irving Tissue Corporation	\$17,773,300.00	\$17,297,600.00	\$17,470,600.00	\$17,470,600.00	\$17,470,600.00	\$17,443,200.00	\$17,443,200.00
Irving Pulp & Paper Limited	\$55,316,400.00	\$28,485,400.00	\$36,485,400.00	\$39,485,400.00	\$39,485,400.00	\$41,651,300.00	\$41,651,300.00
Irving Paper Limited	\$59,674,000.00	\$29,933,000.00	\$29,905,000.00	\$29,905,000.00	\$29,905,000.00	\$23,272,700.00	\$23,272,700.00
Total	\$132,763,700.00	\$75,716,000.00	\$83,861,000.00	\$86,861,000.00	\$86,861,000.00	\$82,367,200.00	\$82,367,200.00

Tax assessments are NOT done through legislation

Since 2013 the sweetheart deals in assessment rates made between Higgs and Heavy Industries above have amounted to a 43% reduction or \$298.5 million in municipal taxes, if simply frozen at the 2013 level!

Total Industry Assessment is LESS today than in 2013



Industrial property assessment value in three largest cities

Year	Saint John	Moncton	Fredericton
2013	786,620,000	461,957,700	113,475,500
2014	731,402,700	490,532,200	116,987,700
2015	740,339,100	504,415,000	119,154,900
2016	747,910,100	516,941,200	121,979,200
2017	749,878,700	528,355,000	125,644,700
2018	750,360,000	529,706,100	127,873,000
2019	757,663,800	555,808,100	132,845,400

Saint John simply cannot afford to allow Heavy Industry assessments to be lowered by -3.68% , removing millions of municipal taxes.

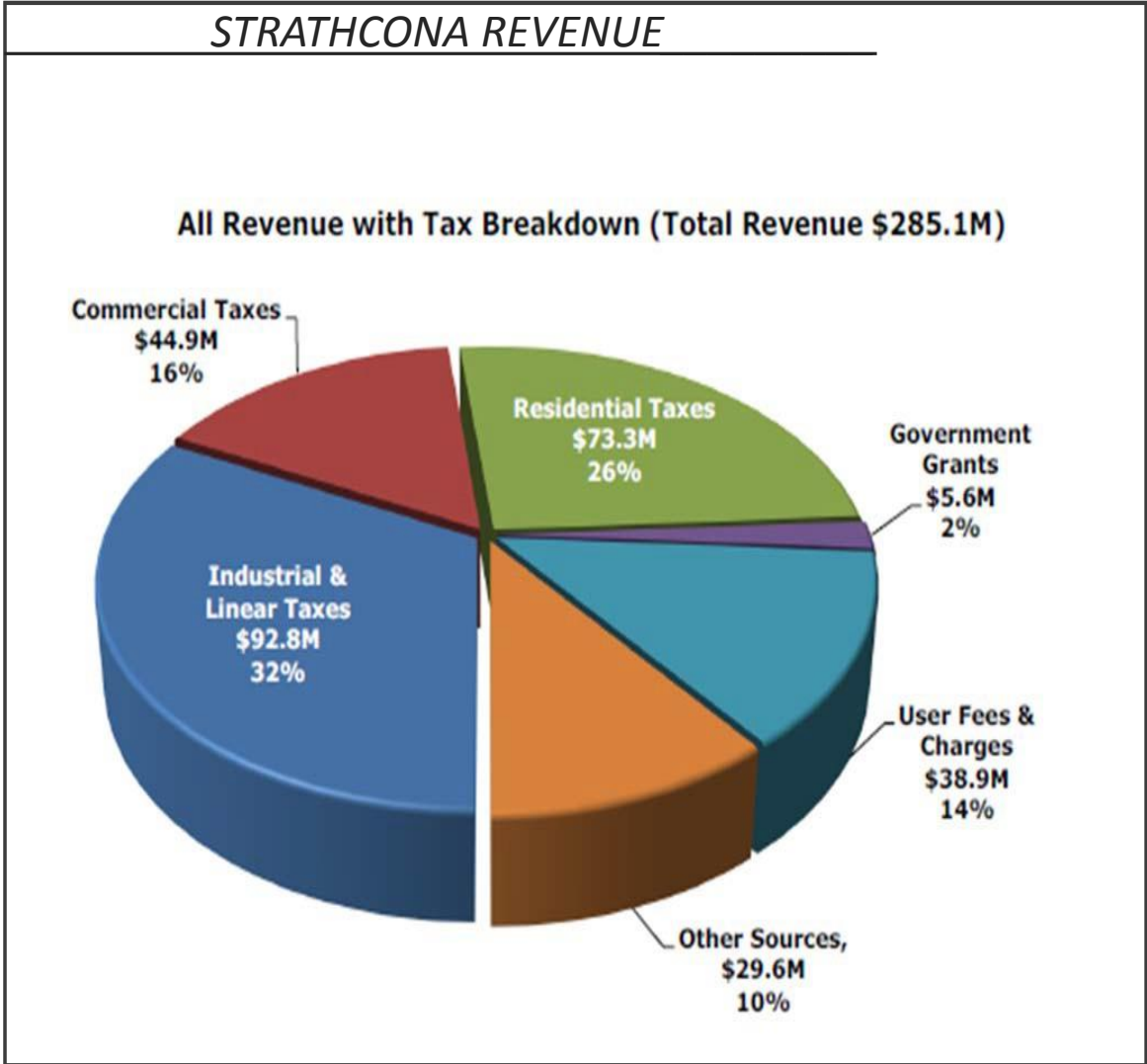
Compare Similar Heavy Industry Assessment Rates in Canada

Strathcona County, Alberta

- Comparable population to Saint John
- Two oil refineries with a combined capacity of 327,000 bbl/day
- Saint John oil refinery produces 320,000 bbl/day

Refinery	Location	Capacity Bbls/day	Assessment	Municipal Tax
Imperial/Suncor	Strathcona County	327,000	2.7 Billion	\$25.6 Million
Irving Oil	Saint John	320,000	98.5 Million	\$2.6 Million

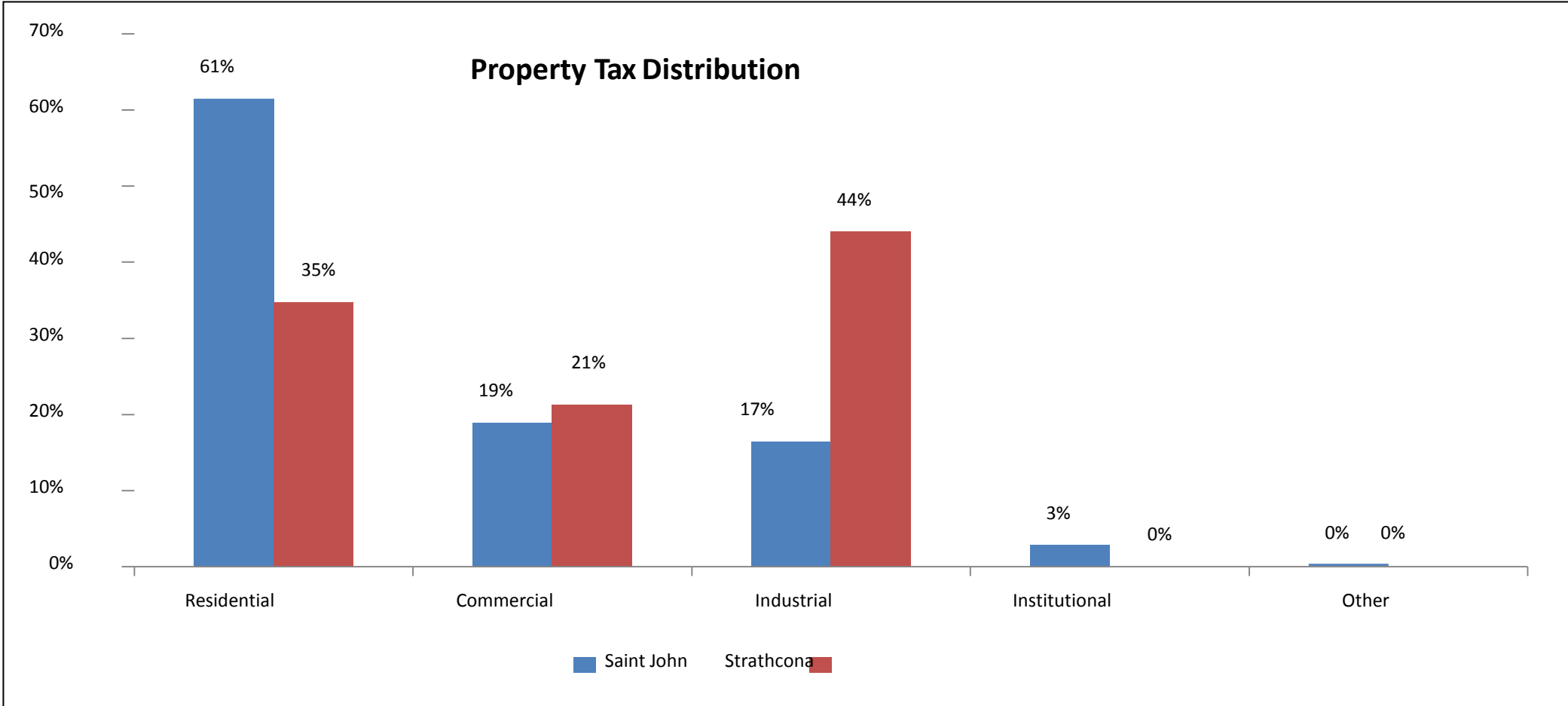
Does this make sense?



**When comparing the Strathcona
County Alberta property tax
assessment rates to the Oil Refinery in
Saint John, there is a \$23 million loss
in municipal tax revenue!**

When Heavy Industry is properly assessed and taxed, the residential tax rate could drop by almost half.

Compare Strathcona property tax distribution to Saint John



Selling off assets, increasing taxes, reducing services and imposing wage restraints are not the key to Saint John sustainability, but rather having Heavy Industry pay their fair share of taxes is the key for a financially healthy Saint John economy that WILL lower residential tax rates.

The City of Saint John has had:

- a) Loss of revenues from Heavy Industry not paying their fair share and;
- b) Increased Liabilities from the new water and wastewater treatment facilities totalling \$88.3 million.

A lot of information is being kept from Taxpayers

The City of Saint John Consolidated Financial Statements December 31, 2018. *(Attachment A)*

The Consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in net debt and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the City and which are owned or controlled by the City. *(Page 9 of the Report)*

A lot of information is being kept from Taxpayers

According to the June 2019 Consolidated Financial Audit as of December 31, 2018, the City of Saint John has an accumulated **surplus of \$698 million**.

In fact, there is no structural deficit or funding gap according to the Consolidated Financial Audit but rather a **\$22.2 million surplus at the end of 2018**. (Page 6 of the report)

In fact, the surplus had **increased** by \$1.6 million or 7.3% from \$20.6 million in 2017.

In fact, the surplus had **increased** by \$6.2 million or 28% from \$15.9 million in 2016!

Saint John Energy

Based on the establishing legislation and Consolidated Financial Statements of the City, the City owns or controls Saint John Energy.

As of December 31, 2018:

- Saint John Energy has more than \$108 million in assets with only \$20 million in current liabilities, and no long-term debt other than postemployment benefits of \$35 million. The balance of **\$38 million** essentially rests in their capital reserves, or like, a rainy-day fund.

City of Saint John funding Commitment

- Saint John lobbied the past Gallant Liberals to change Saint John's inequitable tax structure due to the structural deficit.
- February 2018, the Province of NB committed \$22.8 million to provide interim funding to alleviate the City's funding shortfall until proper tax reform legislation can be adopted.
- The City made the following commitment in subsection 4.2(a)
“The City agrees to minimize impacts on frontline service levels until such time as a solution is implemented”.

The Liberal Government provided a three year financial assistance package “to minimize impacts to front line services”:

- **2018** \$3.5 million
- **2019** \$8.9 million (Only \$4.8 m used)
\$4.1 million in Fredericton
- **2020** \$10.4 million (Possible only \$8 million to be available)
\$2.4 million in Fredericton

Possible total of \$6.5 million left in Fredericton.

On October 7, 2019, the Mayor and Council of the City of Saint John announced plans that will negatively affect Residents.

To name a few, the City has proposed to:

- Increase taxes
- Reduce services

Mayor and Council adopted “Sustainability: Addressing the Deficit 2021-2022” October 7, 2019 that will:

- Reduce services such as:
 - Plowing
 - Sidewalk plowing from 61% down to a mere 10% of sidewalks
 - Reduce garbage pickup
 - City transit runs
 - Lifeguards
 - Reduce community centre programs
 - Eliminate playground programs
 - Reduce access to free facilities
 - Rink closure(s)
 - Divesting remaining rinks to 3rd party(s)
 - Close St. Peters and Lowell street ball fields

Mayor and Council adopted “Sustainability: Addressing the Deficit 2021-2022” October 7, 2019 that....:

- **Will** raise service taxes on:
 - Building permits
 - Parking rates
 - Parking at parks
 - Concerts and events
 - Non-resident recreation
 - Fire and police calls
- Will **not** reduce residential tax rates
- Does **not** pressure tax reforms to heavy industry

A lot of information is being kept from Taxpayers

There is simply no need to cut services or raise taxes.

There is a need for Council to develop a real and ongoing plan to bring about Heavy Industry tax reform and assessment changes to ensure the residents taxes are lowered and services are enhanced.

Saint John did not elect a Mayor and Council to increase any tax or cut services to the public.

There is no deficit and SURPLUSES are GROWING!