



# Common Council Sustainability Plan Information Brief



SAINT JOHN

John Collin  
City Manager  
20 April 2020

# Work Undertaken

- Trade and Convention Centre Compliance Audit - Deloitte
- Sustaining Saint John, A Three-Part Plan – COSJ and GNB
- SJ Energy Current State Pricing Analysis - Deloitte
- SJ Energy Growth Agenda Review – Deloitte
- SJ Energy Growth Strategy Pricing Analysis - Deloitte
- Building a Sustainable Future for Saint John – July 2018 White Paper – COSJ
- Fair Taxation Report – October 2017, City Manager Report to Council
- Backgrounder, the Path Forward – Establishing the City of Saint John as a Resilient and Financially Sustainable City – August 2019
- Annual Workforce Report
- Saint John Regional Task Force Analysis – Gardner Pinfold
- Saint John Regional Industrial Analysis – Gardner Pinfold
- Operational Audit – EY
- Request for Expressions of Interest – TD Station
- Request for Expressions of Interest – Aquatic Centre
- Slack and Kitchen Report on Taxation
- Fair Tax Presentation to Provincial Law Committee on Machinery and Equipment Exemption – COSJ
- Restructuring Plan – City Manager's Report
- Strong Cities, Strong Province – White Paper from Cities of New Brunswick
- Long Term Financial Plan and supporting plans and policies

# Since Issuance of “Sustaining Saint John – A Three Part Plan”

- Open Session of Common Council
  - Verbal updates regarding “sustainability”: 18
  - Continuous Improvement and “hopper” staff reports on “sustainability”: 46
  - Other staff reports regarding “sustainability”: 7
- Closed Session of Council
  - Staff reports regarding “sustainability”: 14



# Supporting Material

- For the purposes of this briefing
  - Tab A – Master PowerPoint Slide presentation
  - Tab B – Spreadsheets on Recommended Sustainability Initiatives and Standby Initiatives
  - Tab C – Fact Sheets on Recommended Sustainability Initiatives
  - Tab D – Fact Sheets on Standby Initiatives
  - Tab E – Heat Map on Recommended Sustainability Initiatives
  - Tab F – Heat Map on Standby Initiatives
  - Tab G – Regional Costs Report
  - Tab H – Industrial Costs Report
  - Tab I – Saint John Energy Audit - Current Status Pricing Analysis (Confidential – Not for public release)
  - Tab J – Saint John Energy Audit - Growth Agenda Review
  - Tab K – Saint John Energy Audit – Growth Strategy Pricing Analysis (Confidential – Not for public release)
  - Tab K(1) – Saint John Energy Audit – Industry Dividend Policy Comparison
  - Tab L – Ernst and Young (EY) Operational Audit – Final Report
  - Tab M – 2019 Annual Workforce Report



# Agenda

- Review of Restructuring Plan
- Update on Addressing the Deficit 2021/2022 (Prong 2)
- Update on Fundamental Reviews and Policy Development (Prong 1)
- Update on Transformational Reforms (Prong 3)
- Way Ahead and Next Steps
- Conclusion
- Recommendation:
  - “Receive and File”
  - Made available to public today (20 April)
  - Two weeks to discuss publically before any decisions made

# Caveat

- Impact of COVID-19
  - Full impact unknown at this time
  - Impact should be mainly in 2020 (less growth impact)
  - Some significant “lingering” effects into 2021 (ie: property assessments)
- Regardless of COVID-19, must solve 2021 and beyond

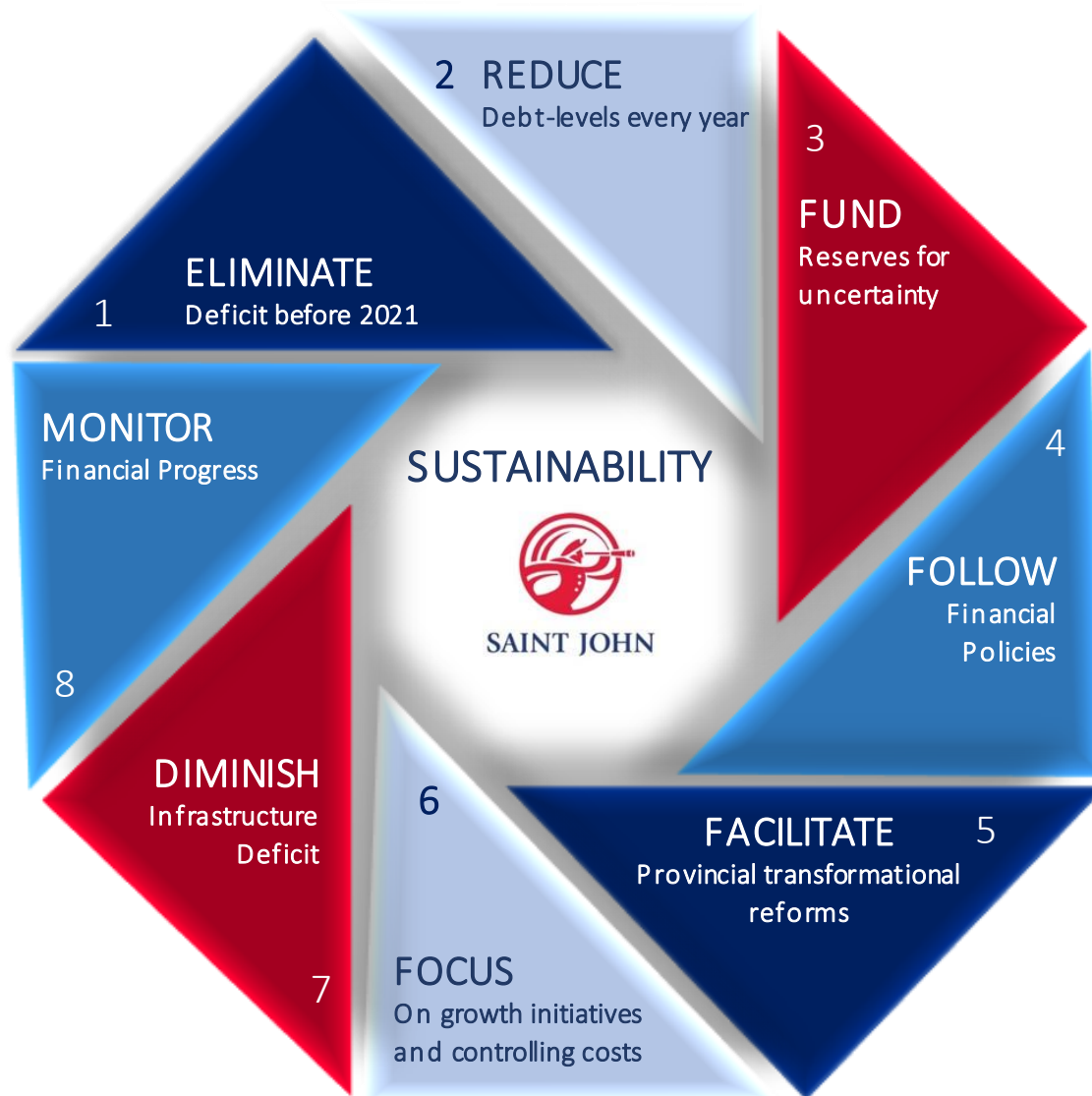
# Now more than ever.....City must improve its competitive advantage

- Change the narrative
  - Focus on positive
  - Eliminate the negative
- Have a viable, attainable, vision/strategy that resonates with existing community and potential future community members (residential and business)
  - Vision, improperly resourced, is nothing but an hallucination
- Solve the recurring deficits and long-term financial pressures
- Be disciplined in approach
- Reduce tax rate
- Control water and electrical rates
- Focus on growth and show we are controlling costs
- Build trust and confidence

*Addressing the budget for 2021 is NOT GOOD ENOUGH. Must resolve this once and for all*



# The “Sustainability Wheel” – Long Term Financial Plan





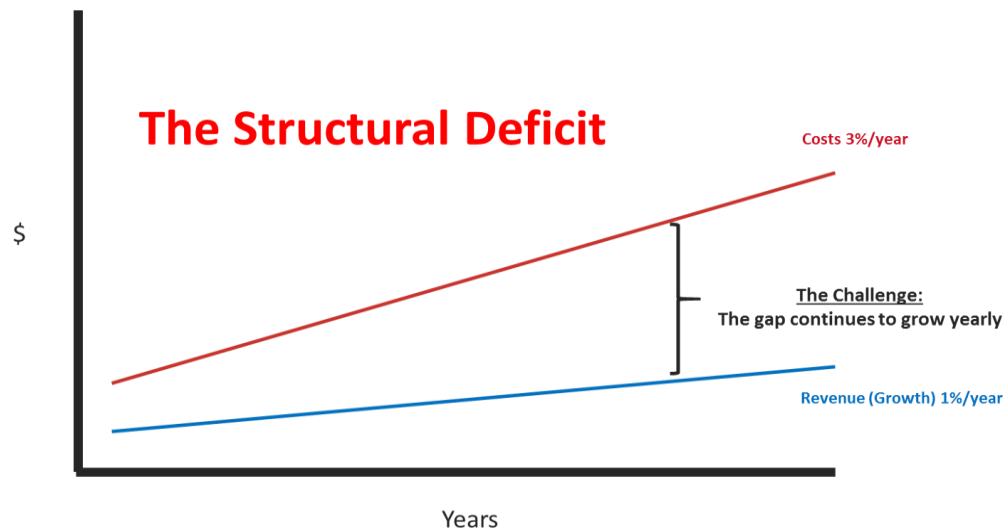
# The Restructuring Plan





# The Plan's Introduction

- Can no longer afford the status quo
- Current financial model is unsustainable
  - Costs grow annually at 3%. Revenue grows annually at 1% *(based on 5-year average)*
  - Every year, City considers more cuts
- Growth is key to success but costs must also be controlled
- Must have tax-based growth but revenue must be more than tax-base growth. Need regional cost sharing, regional shared services and empowerment to generate revenue
- Restructuring plan is not solely focused on balancing the budget for 2021 and 2022.
  - Must look longer term



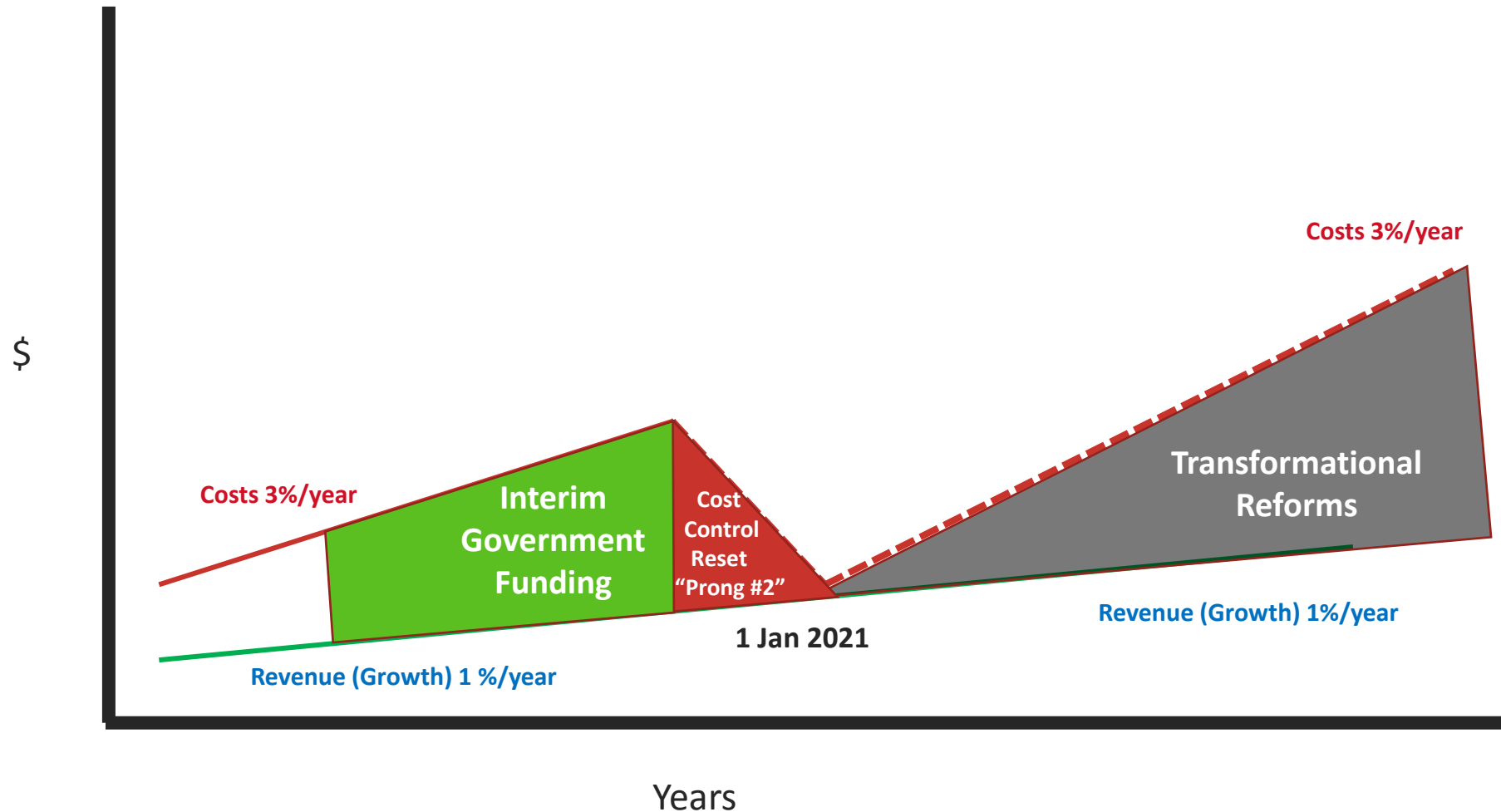
# Overall Plan



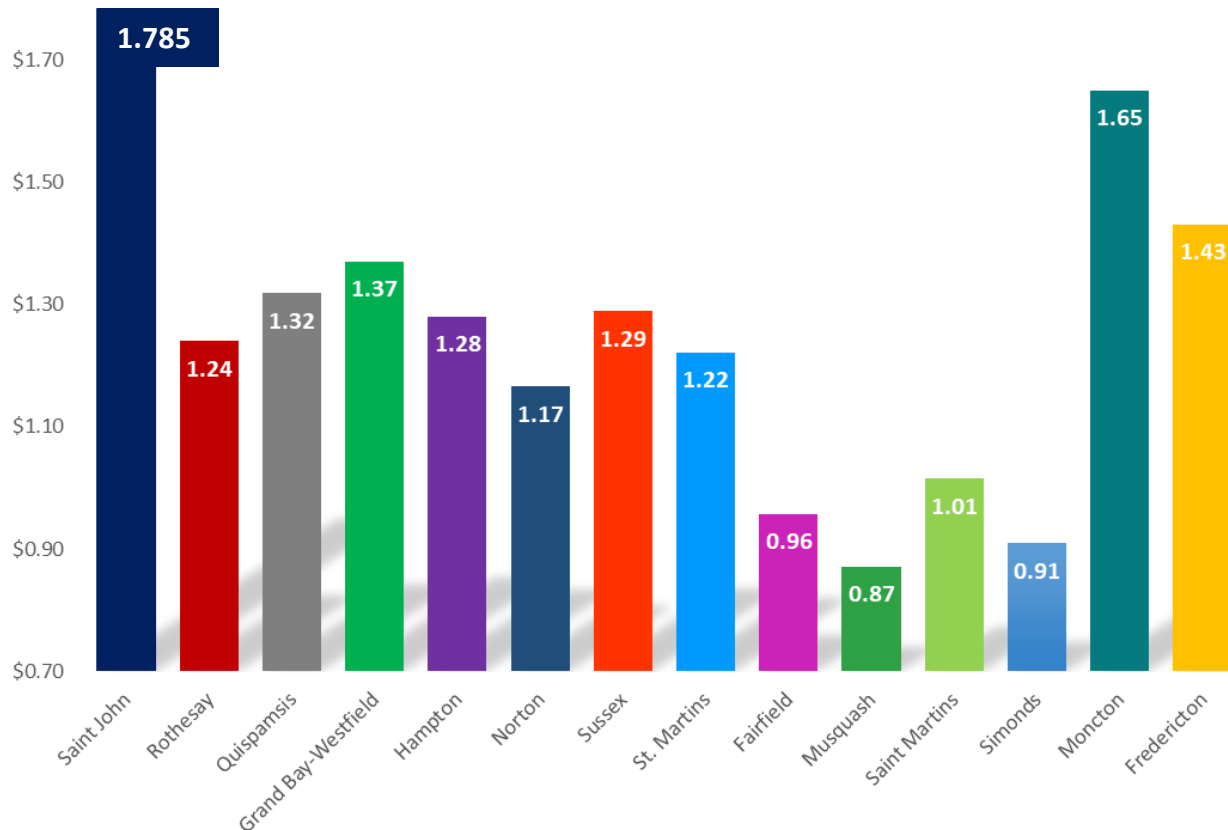
- Three “Prongs”
  - Term used to stress work on multiple fronts concurrently
- Prong 1
  - Efficiency and effectiveness reviews
  - Development of strategic financial policy
- Prong 2
  - Short-term sustainability initiatives to address deficit in 2021 and 2022
- Prong 3
  - Transformational reforms to solve “structural deficit”



# Addressing Our Long-Term Health



# It's Not Just the Deficit – Must Address the Tax Rate



**\$10 million to address our  
forecasted operating deficit  
in 2021**

\$10 million MORE to  
achieve Moncton's tax rate  
or  
\$27 million more to achieve  
Fredericton's tax rate  
or  
\$35 million more to achieve  
Quispamsis tax rate

***We are not competitive for residential or business growth!***

*\*LSD property tax rates = Provincial rate of \$0.522 + Applicable LSD rate*



# Prong 2

*Addressing the Deficit for 2021 and 2022*



# Prong 2 – Short-Term Sustainability

## “Balancing the budget for 2021 and 2022”

- Average annual deficit for 2021 and 2022 forecasted to be \$10 million annually
  - Highly dependant on property tax assessment growth in 2019 – figures will be known in late November 2020
  - *COVID-19 will likely have an impact on deficit*
- General Approach:
  - “All (viable) options on the table”
  - Every part of the organization and every service/function will contribute their share
- ***“Common Council will need to make all decisions on the short-term initiatives no later than the end of **March 2020**. This will allow the staff sufficient time to implement the decisions before 1 January 2021. Put another way, all initiatives to address the budget shortfall will occur at some point during 2020.”***



# Process for Recommendation

## Identify Potential Ideas

- Collection of ideas across the organization; including ABCs (over 80)
- Evaluation of ideas for degree of feasibility

## Introduce Ideas and Process

- Presentation to Council of over 60 ideas to address the deficit in 2021 and 2022

## Analyze and Rate Options

- Further analysis and preparation of business cases on ideas for Council's consideration
- Analysis of impact based on criteria by a single team, leading to "Heat Map" plotting

## Conduct Screening with Council

- Secondary screening of ideas by Council for further consideration
- Feedback from Council on each idea to develop plan



# Process for Recommendation

## Refine Sustainability Ideas

- Further analysis on sustainability ideas and continuous improvement initiatives: alternatives, impacts, additional data, benchmarking, feasibility, target

## Refine Criteria

- Refinement of selection criteria based on Council's feedback: impact on growth, priority neighbourhoods, recreation, quality of life, safety

## Develop Plan to Address Deficit (2021 -2022)

- SLT workshop to identify ideas that collectively address \$5 M (revenue and savings): weighed against refined criteria, achievability, data

## Prepare 'Standby' Plan

- SLT prioritization of remaining ideas to be considered based on achievability of implementation in 2020 in terms of timeline and target: criteria, feasibility, data



# Prong 2 – Short-Term Sustainability Initiatives

- **Four main themes**

- 50 % of the entirety of the deficit will be addressed through workforce adjustments and changes to personnel policies
- Where possible, the City will divest its infrastructure to avoid large operating deficits or to enhance revenues
- Revenue streams, within the limits of current legislation, will be enhanced; including non-resident user fees
- New and/or innovative approaches to the delivery of services will be pursued based on best practises in other communities and fundamental reviews



# Prong 2 – Short-Term Sustainability

## “Balancing the budget for 2021 and 2022”

- “Must Haves”
  - 6 months to complete implementation plans
    - Therefore, decision on overall strategy/option must occur by end May 2020
  - Initiatives that assure a return by 1 January 2021
    - If initiatives are problematic because of timing, external influences, or uncertain yields, they cannot form part of the plan to balance the budget
    - Initiatives that are not definitive will still be pursued and used for tax rate cut in future
  - Acceptance of approach that ....
    - “everyone contributes – everyone does their share”



# Prong 2 – “The First \$5 Million”

- Common Council decision that 50% of the entirety of the deficit to be resolved through workforce adjustments and changes to personnel policy

Organization	Target	Comment
Fire	\$1360k	Achieved through collective bargaining and/or reduction in size of workforce
Police	\$1175k	Assigned to Police Commission through notification of budgetary adjustment. Unlikely to be achieved through collective bargaining since Union has requested binding arbitration. Depending on results, likely will result in reduction to size of workforce
Local 18 (Outside Workers)	\$960k	Tentative Agreement in place. Requires approval of Council and ratification by membership
Local 486 (Inside Workers)	\$680k	Contract in place until end 2021 therefore reduction of 7-9 personnel required
Management and Professional Staff	\$840k	0% pay raise for 2021 and 2022 <u>and</u> reduction of 3-6 personnel
<i>Total</i>	<i>\$5015k</i>	

Note: Transit workforce contributions to entirety of deficit will be included as part of ongoing fundamental transit review and achieved through collective bargaining and/or reduction in size of workforce

# Prong 2 – “The second \$5 million”

Sustainability Options	Hopper	Plan	Council Meeting
Revenue			
1. Permit and Development Approval Fee Increases	\$80,000	\$80,000	December 2, 2019
2. Permit and Development Approvals, New Fees	\$35,000	\$13,000	February 24, 2020
3. Fire Fees for Service	\$45,600	\$30,000	November 18, 2019
4. Fire Fees for Emergency Response	\$90,000	\$90,000	February 24, 2020
5. Recreation Subsidization	\$300,000	\$260,000	December 16, 2019
6. On-Street Parking Increase	\$118,000	\$118,000	December 2, 2019
7. Parking Ticket Increase	\$123,000	\$127,000	December 2, 2019
8. Monthly Parking Increase	\$116,000	\$116,000	December 2, 2019
9. Non-Resident Differential Parking Fee	\$620,000	\$220,000	December 2, 2019
10. Adelaide Street	\$25,500	\$25,500	January 27, 2020
11. Heavy Vehicle Permits	\$0	\$1,000,000	
Operating Cost Reduction			
12. Rightsizing Rec Facilities – Rainbow Park Ice	\$10,000	\$10,000	November 18, 2019
13. Rightsizing Rec Facilities – Lawn Bowling	\$10,000	\$10,000	November 18, 2019
14. Arena Closure	\$155,000	\$155,000	December 16, 2019
15. Winter Street Maintenance	\$347,000	\$130,000	December 4, 2019
16. Asphalt Overlay Program	\$200,000	\$200,000	February 24, 2020
17. Suspension of Growth Reserve (2021 & 2022)	\$350,000	\$350,000	December 2, 2019
18. Freeze Goods & Services Budget Envelope	\$200,000	\$200,000	December 16, 2019
19. Transit Redesign	\$2,000,000	\$750,000	January 27, 2020
20. Casual Workforce Reduction (Parks & Recreation)	\$389,000	\$100,000	February 24, 2020
21. Casual Workforce Reduction (Works)	\$182,000	\$51,000	February 24, 2020
22. Council Budget Reduction	\$0	\$25,000	
Sustainability Ideas Sub-total as February 24, 2020	\$5,396,100	\$4,060,500	
Continuous Improvement Initiatives (Total Envelope)	\$1,129,000	\$1,129,000	
Projected Revenue and Saving	\$6,525,100	\$5,189,500	

# Prong 2 – The Standby List

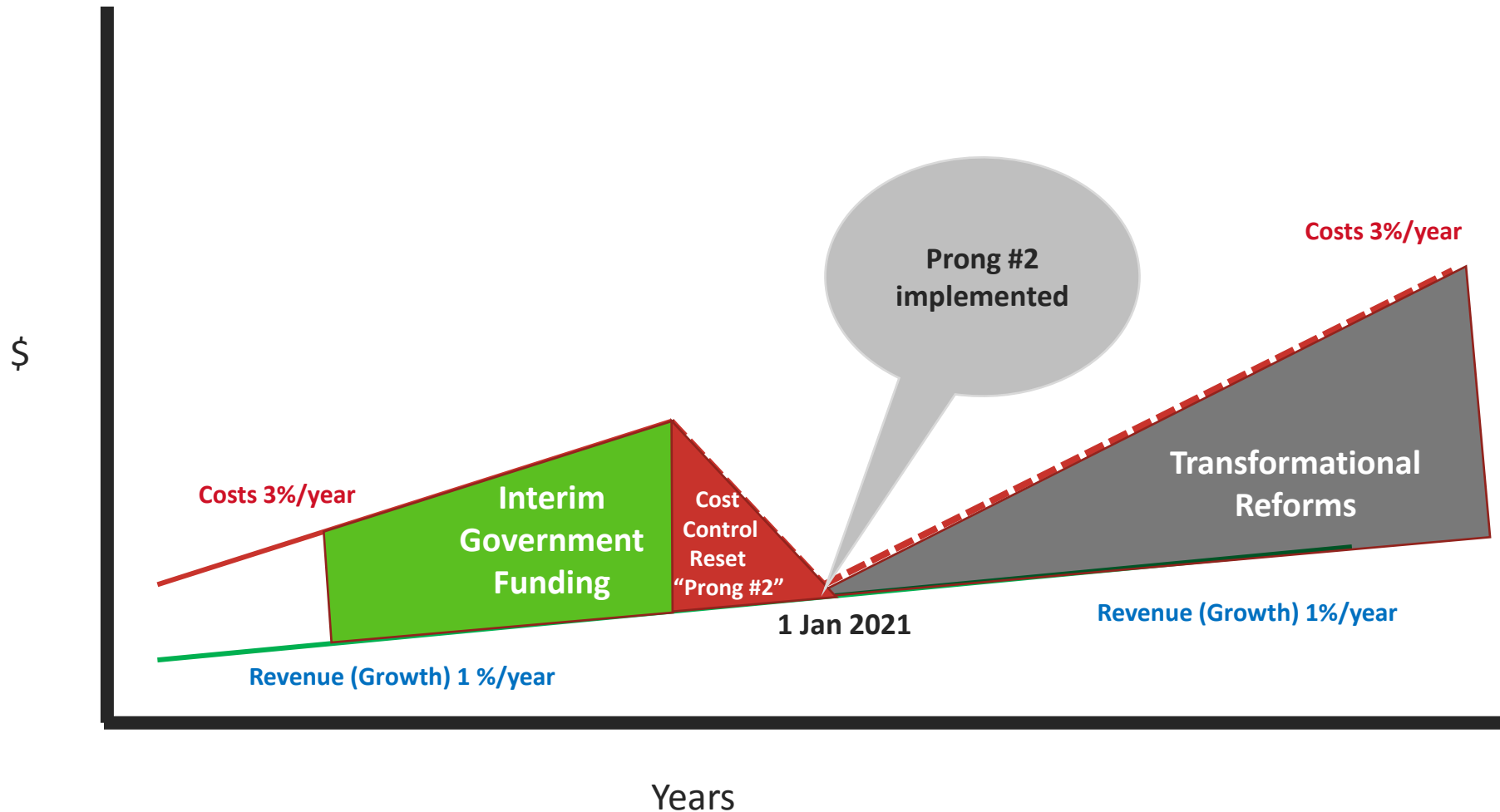
Priority	Sustainability Options	Hopper	Plan	Stand-by	Council Meeting
1	Asphalt Overlay Program (Phase 2)	\$200,000	\$200,000	\$150,000	February 24, 2020
2	Passport to Parks	\$35,000	\$0	\$35,000	November 18, 2019
3	Non-Resident Differential Parking Fee (Phase 2)	\$620,000	\$220,000	\$220,000	December 2, 2019
4	Casual Workforce Reduction (Works) (Phase 2)	\$182,000	\$51,000	\$40,000	February 24, 2020
5	Casual Workforce Reduction (Parks & Recreation) (Phase 2)	\$389,000	\$100,000	\$89,500	February 24, 2020
6	Grants - Other	\$45,000	\$0	\$45,000	December 2, 2019
7	Permit and Development Approvals, New Fees (Phase 2)	\$35,000	\$13,000	\$20,000	February 24, 2020
8	Transit Redesign (Phase 2)	\$2,000,000	\$750,000	\$250,000	January 27, 2020
9	Playground Program	\$90,000	\$0	\$42,000	November 18, 2019
10	Casual Workforce Reduction (Works) (Phase 3)	\$182,000	\$51,000	\$91,000	February 24, 2020
11	Casual Workforce Reduction (Parks & Recreation) (Phase 3)	\$389,000	\$100,000	\$199,500	February 24, 2020
12	Winter Street Maintenance (Phase 2)	\$347,000	\$130,000	\$217,000	December 4, 2019
13	Asphalt Overlay Program (Phase 3)	\$200,000	\$200,000	\$150,000	February 24, 2020
14	Community Centres	\$70,000	\$0	\$68,463	January 27, 2020
15	Grants - Development Incentives and Heritage	\$300,000	\$0	\$300,000	December 2, 2019
16	Grants - Community Arts	\$19,721	\$0	\$19,721	December 2, 2019
17	Grants - Community Events	\$16,500	\$0	\$16,500	December 2, 2019
18	Grants - Event Sponsorships	\$17,500	\$0	\$17,500	December 2, 2019
Total Standby				\$1,971,184	

# Prong 2 – Continuous Improvement Initiatives

Continuous Improvement	Target
Third Party Contracted Services – Electrical	\$30,000
Cell Phone Optimization	\$50,000
Sports Field Lining	\$10,000
Fire Training Academy	\$23,000
Reduce Police Fleet Maintenance	\$50,000
Reduce Police Headquarters Operating	\$75,000
Building Demolition In-sourcing	\$36,000
Medical Call Response Criteria	\$10,000
Translation	\$23,000
Greening the Fleet	\$50,000
Fire Training Phase 2	\$77,000
Library - West Branch	\$30,000
Regional Fire Dispatch	TBD
Reduce Employee Training Related Costs	\$50,000
Contracted Services	\$172,000
Administrative Penalties	TBD
Cost Recovery for City Support at Events	\$10,000
Fire Insurance Recovery (Fire Marque)	\$50,000
Leverage Uptown Saint John	\$25,000
Fleet Optimization	\$300,000
Other Contract Service – SJE Lights	\$58,000
<b>Projected CI Totals as of February 10, 2020</b>	<b>\$1,129,000</b>

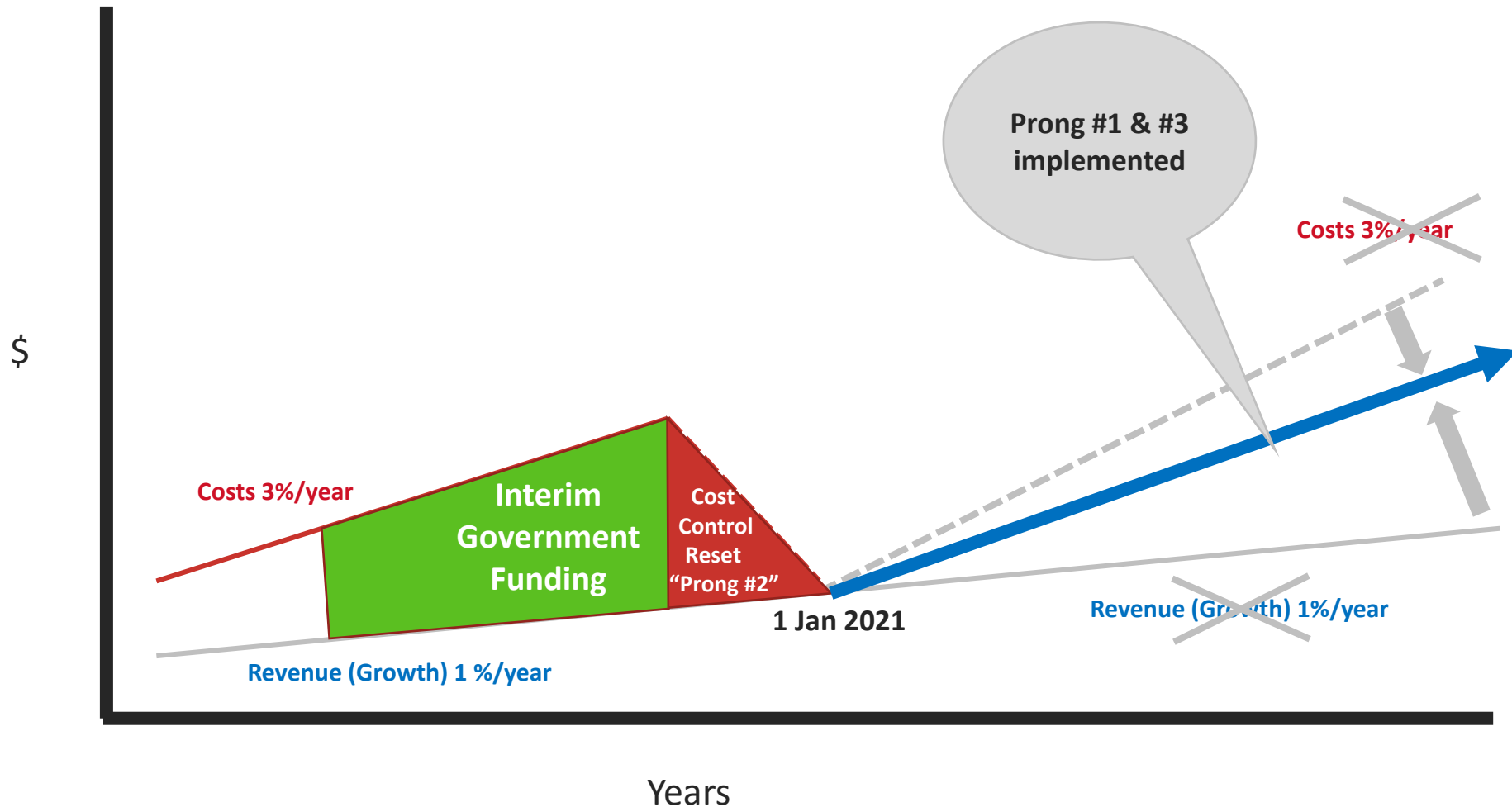


# Just “Cutting” does not solve “Structural Deficit”





# Transformational Reforms Must Occur





# Prong 1

*Fundamental Reviews and Policy Development*

# Prong 1 – The Strategic Financial Policies/Plans

- **Wage Escalation Policy**
  - to ensure that future salary increases are affordable.
- **Debt Management Policy**
  - to discipline future spending where borrowing will be required so as to control our overall debt
  - to lower our debt over time.
- **Asset Management Plan**
  - to improve our understanding the state of our infrastructure
  - to prioritize maintenance, capital repair and capital replacement
- **Capital Budget Policy**
  - to ensure capital budget decisions are prioritized based on evidenced-based information
  - to limit type of borrowing allowed
- **Operating Budget Policy**
  - to mitigate the risk of additional structural deficits by forbidding the funding of operating expenses with one time revenue
- **Reserve Policy**
  - to support long-term funding strategies by promoting saving today to spend tomorrow rather than continuing the City's heavy reliance on debt.
  - to allow the City to set funds aside for unexpected future events, and therefore reducing the risk of future deficits
- **Investment Policy**
  - to ensure the City maximizes return on investment while minimizing risk
- **Long-Term Financial Plan**
  - to provide a roadmap with anticipated outcomes for financial decision making to look out ten years.



# Prong 1 – What's Next for Policies

- Discipline to follow the financial policies
- Vision and Strategy overarching document
  - More than just finances ....where do we wish to be in 2030?



# Prong 1 – The Reviews

- Review of all agencies, boards and commissions
  - to find efficiencies and to improve effectiveness
- Review of our economic development framework
  - to achieve better alignment and synergy amongst the various stakeholders
- Review of the organizational structure of City Hall
  - to reduce its size and yet maintain its effectiveness
- Review of all infrastructure
  - to enhance asset management
- Complete an operational audit (with provincial funding)
  - to identify viable cost savings



# Prong 1 – Where to Use Funding Adjustments?

- Two reviews have assurance of savings by **1 Jan 2021**
  - Therefore value included in Prong 2 (Addressing the 2021 and 2022 deficit)
    - **Structure Review**
    - **Transit Review (\$750k)**
- Remaining reviews unknown when savings will occur
  - Therefore **must not** be considered in Prong 2 but can be included in Prong 3 (Transformational reforms)
    - **Review of Agencies, Boards and Commissions (other than Transit)**
    - **Adoption of new Economic Development model**
    - **Implementation of recommendations from Operational Audit**
    - **Asset Management**



# **Agencies Boards and Commissions (ABCs) Review**

# Review of all Agencies, Boards and Commissions

to find efficiencies and to improve effectiveness

- Mainly small to medium deficiencies/improvements identified
  - Will be addressed as time permits in 2021 and 2022
- Regional Facilities continues to be primary focus. CSJ subsidizes operating deficits annually
  - Trade and Convention Centre \$625k
  - Imperial Theatre \$367k
  - TD Station \$602k
  - Aquatic Centre \$682k
  - Arts Centre \$139k
  - Total CSJ subsidy for 2020 \$2.415 million
  - Region contributes approximately an additional 33%
- Transit and Parking Commissions also a key focus
  - Operating Subsidy \$5.6 million
  - Debt Subsidy \$2 million



# Transit

*Savings to be used to help address 2021/2022 deficit (Prong 2)*

# Transit Operational Review: Objectives

Determine the most efficient and effective manner of managing and operating the system in order to enhance reliability and accessibility for riders, limit travel times, and provide service where and when it is most needed, while minimizing spending.

- Robust stakeholder engagement
- Industry peer insights and best practices

All-encompassing review, including:

- Routes
- Schedules
- Fleet
- Fares
- Service Delivery
- Staff Functions
- Marketing
- Technology
- Operations and Maintenance



# Transit Operational Review: Work Plan

February 2020



Task 1: Project Kickoff



Task 2: Background Review

March 2020



Task 3: Stakeholder Engagement



Task 4: Visioning, Strategy, and Objectives



Task 5: Service Delivery Evaluation



Task 6: Internal Operations Evaluation



Task 7: Structural Assessment



Task 8: Operating Cost Modeling

August 2020



Task 9: Final Report

# Transit Operational Review: Deliverables



Independent, professional analysis to develop recommendations for implementation:

- Savings through efficiencies
- Effectiveness through innovation

Informed decision-making:

- Stakeholder input to identify community needs (on-going focus groups, rider outreach, public open house)
- Data analysis
- Strategic approach to support growth and a vibrant, safe city





# Transit Review – Minimum Requirements

- Initial demand
  - Explore opportunities to cost-avoid up to \$2 million
- Updated Requirement
  - Cost-avoid \$750k minimum
    - Workforce adjustments should be majority contributor
  - Be prepared to cost avoid an additional \$250k if required (standby list)
- *Exploring transfer of Transit to City (removing Transit Commission) for efficiencies and enhanced effectiveness*
  - *Transit Commission supportive in principle*
  - *Pensions are a major consideration*
  - *Staff Report to Council ....for decision on 4 May 2020*



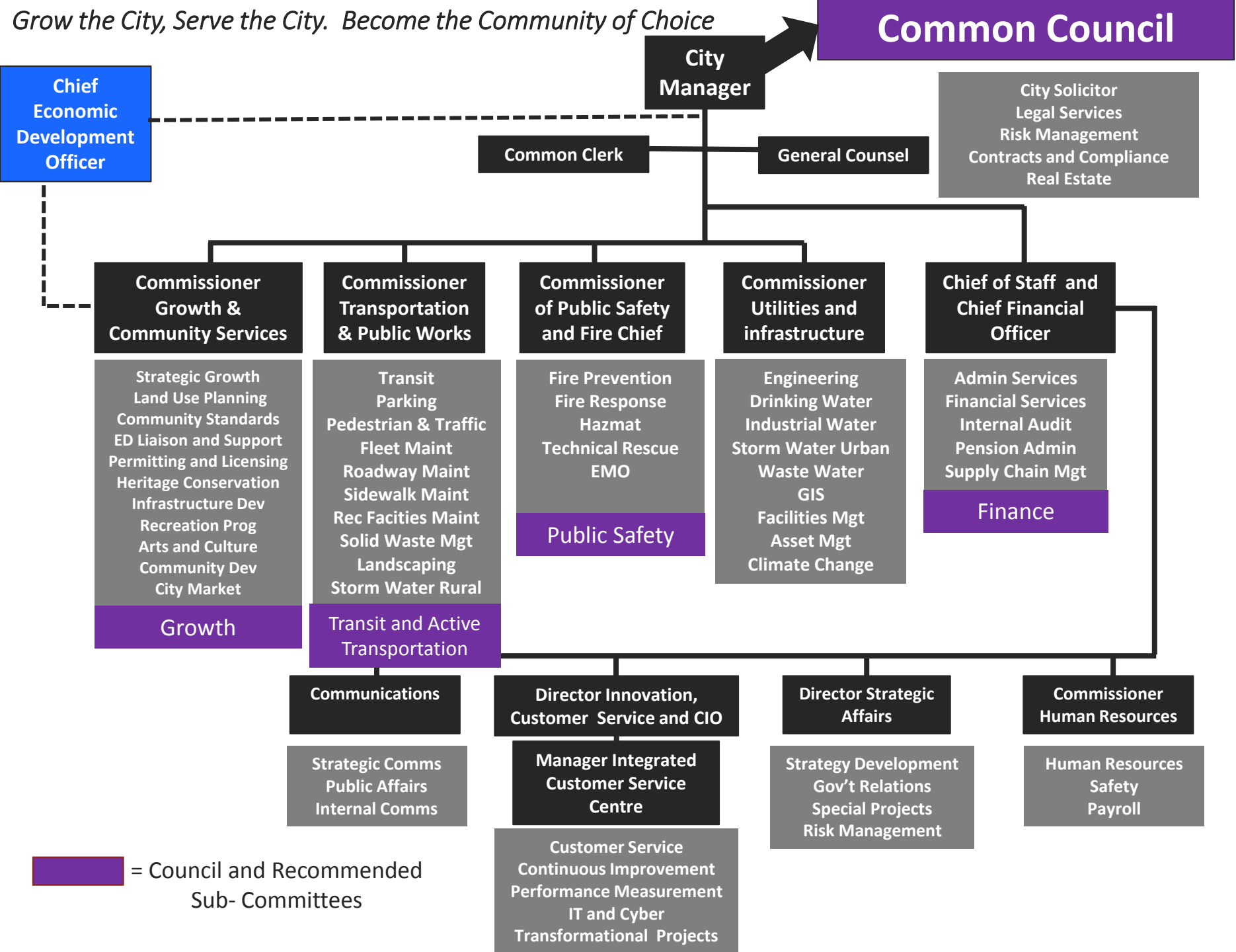
# Structural Review

*Savings to be used to help address 2021/2022 deficit (Prong 2)*

# Structure Review

- Initial Focus is on City Hall – not operational entities
  - Review of operational entities to follow
- Effort is on finding efficiencies while enhancing effectiveness where critically necessary
  - “Find savings in positions while addressing some critical gaps”
- Housekeeping
  - Remove all regular recurring temp/casual positions and use “regular full time” employees where possible
- General overview/approach developed
  - Detailed implementation plan and amendments to follow

Grow the City, Serve the City. Become the Community of Choice



# New Structure Achieves .....

- Enhanced customer service through Integrated Customer Service Centre
- Enhanced contract development, compliance and monitoring
- Enhanced cyber defence
- Enhanced strategic planning and intergovernmental relations
- Enhanced communications/public affairs/branding
- Enhanced emphasis on public safety
- Increased emphasis on HR management (“care of our people”)
- Centralized engineering function
- Centralized administrative support (where possible)
- Centralized maintenance and fleet coordination
- Centralized approach to all infrastructure management
- Reconfigured continuous improvement (to performance management)
- Shared services with Saint John Police (TBC – planning ongoing but decision not made)
- Transfer of Transit & Parking to City Hall (TBC – planning ongoing but decision not made)
- Transfer of “parks and recreation” programming to Growth and Community Services
- Transfer of City Market to Growth and Community Services

# New Structure Achieves ..... *(preliminary calculation)*

Employee Group	Current Budgeted Positions	Additional Personnel in Current Structure	New Structure	Net Savings of Personnel	Wage Savings
Management and Professional Staff	92	2.5 Full-time long-term casuals	89	5.5 FTEs	\$911,977
Inside Workers (Local 486)	110	3.25 short-term casuals	101	9 FTEs	\$826,565

Management	Salaries	Fringe	Special Pension	Management Total
2020 Budget	\$9,819,529	\$2,482,029	\$1,669,320	\$13,970,878
Anticipated 2021 Costs	\$9,164,141	\$2,336,856	\$1,557,904	\$13,058,901

Inside Workers	Salaries	Fringe	Special Pension	Inside Worker Total
2020 Budget	\$7,218,155	\$1,813,682	\$1,227,086	\$10,258,924
Anticipated 2021 Costs	\$6,619,199	\$1,687,896	\$1,125,264	\$9,432,359



# Regional Facilities

*Savings to be used to help to address long-term sustainability (Prong 3)*



# Review of all Agencies, Boards and Commissions

to find efficiencies and to improve effectiveness

- Regional Facilities focus
  - Trade and Convention Centre(\$586k)
    - External audit complete
    - Reviewing “Findings” and exploring options for efficiencies
  - Imperial Theatre (\$367k)
    - Asked Theatre to provide impact of modest to complete reduction in subsidy
    - Analysis ongoing
  - TD Station (\$602k)
    - Expressions of Interest complete. Confidential direct negotiations commenced
  - Aquatic Centre (\$625k)
    - Expressions of Interest complete. Confidential direct negotiations commenced
  - Arts Centre
    - Analysis ongoing
- City Manager aspirational target.....
  - Reduction in total costs of minimum of 50%, equating to savings of \$1.2 million annually while maintaining operation of all regional facilities
    - Secondary benefit to outlying municipalities – who would in turn pay less
- Details to follow, timeline unknown
  - COVID-19 impact possible





# Economic Development

# Review of our Economic Development Framework

to achieve better alignment and synergy amongst the various stakeholders

- Concept paper developed and unanimously supported by Economic Development Strategic Advisory Council
- One Vision, One Board, One CEO, One Budget, All Functions, Regional Focus, with CSJ as the Anchor
- If implemented – tremendous potential
  - 2<sup>nd</sup> largest ED organization in Atlantic Canada
  - Only ED organization to fully integrate all functions including tourism and population growth
  - Opinion of academia and business community that this will help propel growth in significant ways
- Need Regional Support/Approval for implementation and funding
- Awareness and consensus building ongoing through 3<sup>rd</sup> party contractual arrangement
- Optimistic response from municipalities
- Two key points still unresolved (cost-sharing formula and governance)
- Require decisions of Councils (and support of GNB for LSD participation) by May 2020





# Operational Audit

# Complete an Operational Audit

to identify viable cost savings

- Ernst & Young awarded contract
- Three parts
  - Benchmarking
  - Key challenges
  - Operational efficiencies
- Minor slippage to timeline
  - Key Findings 28 Feb 2020
  - Draft Report 19 Mar 2020
  - Final Draft Report 31 Mar 2020
  - Final Report 17 Apr 2020 (Province to officially release report once translated)
- Province and City fully engaged in feedback process
- Significant undertaking for City staff due to data collection requirements and validation obligations
  - Tremendous support to project
- **Overall, City staff substantially supportive of audit report**
- **Sincere thanks to effort, detail and professionalism displayed but audit team from EY**



# EY Audit Results

- Challenges identified not a surprise – nothing new to City
- Recommendation to act decisively and emphasize focus on growth
- Clear communications (change management) will be essential
- Staffing levels can be reduced without affecting service levels when more productive ways to deliver the same services can be implemented
- Acknowledgement of significant gains already obtained
- Acknowledgement that long-term financial planning has enabled great strides towards sustainability
- Recommendation to continue to drive those efforts to support overall plan

# EY Audit

- Sustainability cannot be obtained through “easy-to-implement” changes
- Foundational changes necessary
- Eleven business cases developed ....in the long term .....

The consolidated opportunities are noted below: (000's)

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
\$8,380-\$9,880	\$12,400 - \$17,800	\$5,300 - \$9,400



# EY Audit – recommendation to implement a small number of larger changes rather than a large number of smaller projects.

- Debt reduction significant opportunities **depending on market demand**:
  - Buildings – out of 77, explore 19 – (\$5 to 6 mil).
  - Lands – out of 1,500 parcels, explore 41 (some already rejected by Council) (3.2 to 3.7 mil).
- Cost optimization, **subject to further analysis in many cases....**
  - Fire Service – call process enhancement, staffing model optimization, reduction of two tankers and two engines and closing one station (4 to 5 mil).
  - Police Service – expand civilianization, 11 hour shift (1.5 to 1.7 mil).
  - Procurement – shared services, contract management, red tape reduction and strategic sourcing (1.2 to 4.4 mil).
  - Public works – optimize solid waste, winter road maintenance cost management, efficiency and improvements through workforce and casual reductions (3.5 mil).
- Revenue generation, **dependant on province**:
  - SJ Energy – 50% dividend similar to other municipal utilities, with growth agenda and increased power rate (4.5 to 8.2 mil)

# Operational Audit – Next Steps

- Prioritize work
- Detailed analysis of all recommendations
- Action Plan for recommendations
- Continued work on shift in culture
  - *“It’s all about growth”*
  - *“Control costs”*
  - *“Be innovative”*
  - *“Resist the status quo”*
  - *“Accept the need to invest to make or save money”*
  - *“Accept risk”*
  - *“Break down silos”*
  - *“Make tough but smart choices”*
  - *“One team, one vision”*



**Saint John Energy**

# Review of all Agencies, Boards and Commissions

to find efficiencies and to improve effectiveness

- Saint John Energy
  - Independent audit (Deloitte)
  - Two main objectives
    - Validate the growth agenda
    - Determine total value of the asset
  - Reports on the two objectives completed
  - Options
    - Status quo, and enable growth agenda
    - Sell the utility
    - Increase rates and flow dividend to property tax reduction
  - **Options analysis and recommendation to be completed**



# SJE – Option #1

- **Status Quo Rates/Enable Growth Agenda/Transfer Dividend to City**
- \$7.4 million residential/commercial benefit to lower power rates
  - approx \$200 per year per household compared to NB Power
  - No direct benefit to City
- \$2 million benefit to City for its own power consumption on lower rates
- SJE growth agenda estimate (validated by Deloitte) is \$500k initially, growing to approximately \$7 million annually over next 10 years
  - There is risk with growth agenda
  - SJE must borrow to fund Capital projects (approx \$60 million)
- Transfer of growth agenda revenue (dividend) to City may require legislative change
  - Problematic based on comments by provincial authorities

# SJE – Option #2

- **Sell Utility**
- Unsolicited indicative bid (bid value remains confidential)
  - Includes rate freeze for three years
  - Accepts becoming regulated industry, therefore NB Power rates thereafter
- Deloitte evaluation complete (value remains confidential)
  - With and without growth agenda
- If sold, equity invested into a locked-in endowment, use the dividend
  - \$2-\$5 million annually to City *(total dividend minus \$2 million rate reduction benefit)*
- No legislative change required

# SJE – Option #3

- **Adopt NB Power Rates/Transfer Dividend to City and Enable Growth Agenda/Transfer Dividend to City**
- \$7.4 million residential/commercial benefit to lower power rates
  - approx \$200 per year per household compared to NB Power
  - No direct benefit to City
- GNB supportive and would allow transfer of dividend to City for raised rates
- How to use dividend. As an example....
  - \$6.7 million to lower 10 cents on tax rate – equates to current average property energy saving
  - \$700k as compensation fund for lower income who do not own property but yet pay for electricity
- More analysis required on relative benefits of lower utility rates versus lower property tax rates - ongoing



# SJE – Next Steps

- Establish Task Force to analyze options and provide recommendations to Common Council and Provincial Government
- Task Force composition
  - City staff
  - GNB staff
  - NB Power
  - SJE
  - Facilitator





# Prong 3

*Transformational Reforms*

# Prong 3 – Transformational Reforms

- **Comprehensive property tax reform**
  - Provincial commitment to complete by end 2022
  - Questions on
    - Industrial contributions
    - Tax revenue distribution between province and cities
    - Differential rates
    - Exemptions
    - Assessment practices
    - **Property value inversion**
- **Regional cost sharing**
  - 15,000 - 18,000 work commuters enter the city daily. 33,000 people travel into City daily, placing wear and tear on our infrastructure and requiring some of our services
  - 30%-35% of all users of our subsidized recreational facilities are non-residents and therefore pay no taxes towards the subsidizations from which they benefit
  - Region benefits from the industry inside City yet City shoulders costs associated with that industry
- **Regionalisation of services**
  - Only 130,000 people in Region yet we have at least three of everything when it comes to providing services (fire, police, EMO, waste management, road works, etc)

# Example: Two Similar Properties

Quispamsis



Assessment:  
\$234,600

Saint John



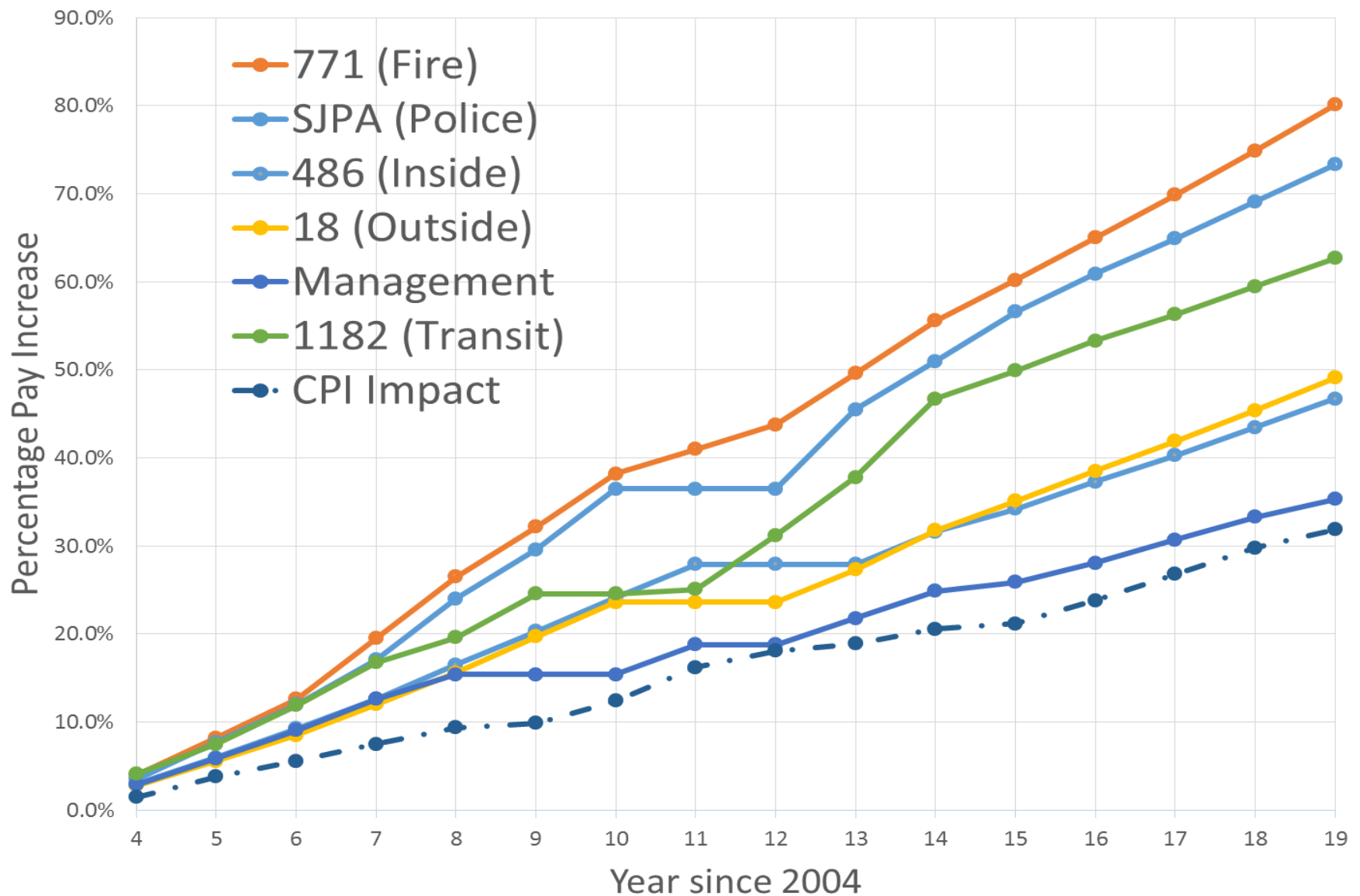
Assessment:  
\$183,200

# Prong 3 – Transformational Reforms

- **Wage escalation control**
  - All of our workgroups have seen significant pay raises over the past 15 years
  - Common Council has approved a wage escalation policy.
    - This policy will only be transformational once it is embraced by all and the City has the discipline and tools available to adhere to this vital policy
- **Binding arbitration reform**
  - The unintended consequence of the Act has been approximately 70- 80% cumulative pay raise for police and fire over a 15 year period.
  - During that same 15-year period, CPI has increased by only 27.5%
  - The eight cities of New Brunswick all support changes
  - **No intent to limit free and open bargaining nor to remove the right to binding arbitration.**
  - Provide list to arbitrators of criteria to consider .....including affordability to municipality
- **Empowerment of cities to generate own revenues**
  - Must diversify revenue streams

# CPI and Wage Trends – City of Saint John

## 2004 – 2019





# Regional Management Task Force

# An Adjunct to Prong 3 - Regional Management Task Force

- Objectives

- To achieve comprehensive and equitable service cost-sharing through the engagement of regional governance partners; and
- To establish a collaborative regional planning and priority-setting framework on service-sharing, and other areas of common interest through this forum.

- Composition

- Experienced facilitator appointed by the Province
- Mayors and Chief Administrative Officers of Region (including Hampton and St. Martins)
- A representative appointed by the Minister of Environment and Local Government to represent the interests of the Local Service Districts in the region.
- The Government of New Brunswick will provide oversight and advisory support to the Regional Management Task Force

- Deliverable

- A signed agreement, delivered to the Province by March 31, 2020.
- *Interim report by 31 January, 2020*

# An Adjunct to Prong 3 - Regional Management Task Force

- **Current Status**

- Useful discussion to enhance understanding, improve regional awareness and identify challenges
- Only 6 meetings since September 2019
  - One of which was a one-day workshop not directly related to Regional issues
- **No concrete recommendations on regional cost-sharing**
- **No concrete recommendations on a shared regional services framework or initiatives therein**

- **Next step was to be.....**

- Provincial commitment to “re-assess” March 2020
- Delayed due to COVID-19





# **Gardner and Pinfold Regional and Heavy Industry Analysis**

# Third-Party Regional Analysis

- Need identified through staff deliberations and Regional Management Task Force discussions
- **CSJ Assertion** .....There are associated costs borne by City for being Regional Hub and having heavy industrial footprint
  - What is the total cost?
  - Rudimentary staff analysis last spring stated \$6-\$12 million to be regional hub. Cost of hosting heavy industry not examined by staff
- **Regional Perception**..... CSJ is mismanaged and wastes money
  - How does City benchmark against others?
- Third Party regional analysis commissioned by Province
- Two reports produced
  - Cost to City for being a regional hub
  - Costs to City for being province's heavy industrial base

# Costs as Regional Hub

- Key factors.....
  - Approximately 15,000 - 18,000 work commuters enter City daily.  
33,000 people travel into City daily
    - Wear and tear on roads
    - Increased population and vehicle traffic requires increased fire and police
    - Some (limited) additional solid waste management
  - Approximately 30%- 35% of all users to recreational facilities are non-residents
    - All recreational facilities are subsidized by the City



# Costs as Regional Hub

- Benchmarking Data
- “ ... per household basis Saint John parks costs are lowest in the group, recreation is in the middle, police costs are also in the middle, and fire services costs are highest. Saint John costs per paved lane-km of road is above the middle, and cost for winter storm management is in the middle of the group.”
- **“Service metrics are not necessarily calculated the same way across municipalities so results are interpreted with caution.”** *(Gardner Pinfold)*
- Key conclusions from benchmarking data
  - Overall, we are aligned with costs experienced in other communities
  - Therefore, in comparison, the City is **not** mismanaging its expenditures
  - Some areas deserve a more in-depth analysis (similar findings in Earnst and Young operational audit)



# Costs as Regional Hub

- Additional costs to service residents that come from outside Saint John are estimated at **\$12.3 million**
  - \$3.7 million in road costs
  - \$1.8 million in parks and recreation costs
  - \$6.8 million in police, fire, and other costs
- Costs of Economic Development. In 2018 .....
  - City has been paying over 90% of all economic development costs for the region yet
    - For every 100 jobs created in the City, approximately 40 will live outside City
    - Growth rates in outlying towns consistently outperform growth rate in City

# Staff Recommendations

- Data shows over **\$12 million** of costs incurred
- Recognizing that some calculations can be debated, there is scope for some reductions
- Recommend that Province impose cost recovery of a minimum of \$6 million for 2021
- Recommend that Province impose \$8 million cost recovery for 2022
- Recommend that Province re-examine/analyze actual costs incurred in time for necessary adjustments in 2023
- Recommend province use one of the following two methods to collect cost-sharing
  - Levy on tax bills
  - Select tolls on roads
- If cost-sharing implemented, recommend **no regional fees paid to City, and no differential rates or user fees** imposed by City on regional partners

# Select Tolls on Road

- Toll designed to capture costs of work commuters on daily basis
- Electronic toll booths installed on major entry routes into the city – not on exit routes
- Tolls active from 5am to 9:30am daily
- Saint John residents receive free pass
- Non-residents can purchase monthly discounted pass
- Approximate fee of \$2 per use when tolls active
- **Total income (revenue minus costs) limited to approximately \$4-\$5 million**
- Should not affect those entering City to use regional facilities, hospitals, restaurants or commercial/business enterprises

# Saint John Levy

- 52,870 households in the CMA
  - 30,210 located in the City
  - 22,660 households outside the City
- To recover \$6 million, household levy of \$265 average annually
- To recover \$8 million, household levy of \$353 average annually
- Could be pro-rated based on property assessments



# Costs of being Province's Heavy Industrial Base

- Key Factors .....
- Increased fire and emergency response risk profiles – necessitating larger response capabilities and specialized training
- Increased wear and tear on road infrastructure due to heavy vehicle use
- Decreased property values (property value inversion)

# Example: Two Similar Properties

Quispamsis



Assessment:  
\$234,600

Saint John



Assessment:  
\$183,200

# Costs of being Province's Heavy Industrial Base

- Fire and emergency response additional costs
  - \$1.7 million annually
- Infrastructure maintenance and repair (roads and bridges)
  - \$2.5 million annually
- Lost property tax revenue from depressed property values
  - \$32 million annually

*Note: Heavy industry contributes approximately \$12 million in property tax to the City annually*



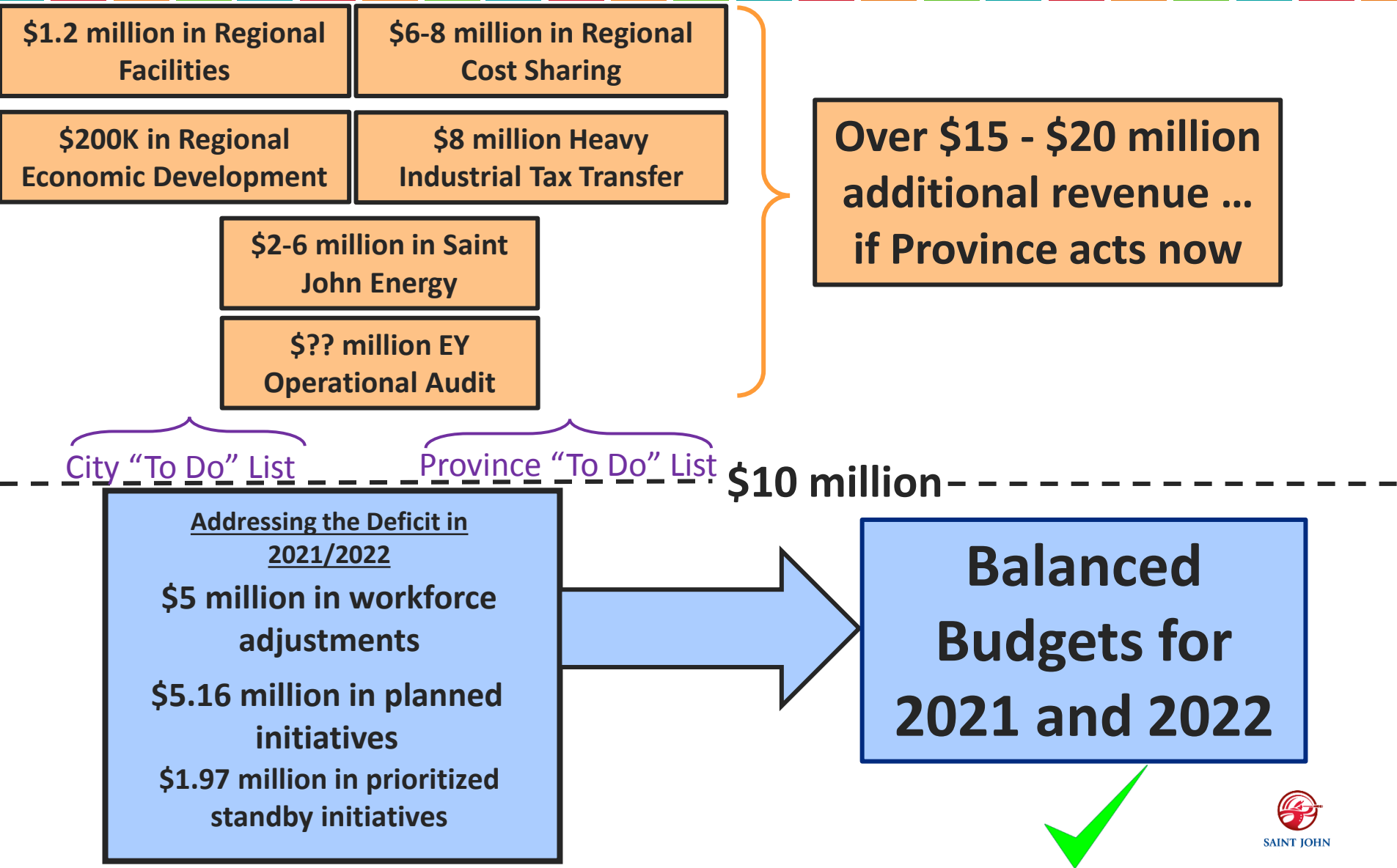
# Staff Recommendations

- Continue to vigorously pursue **comprehensive property tax reform** to address the cost of heavy industry and other challenges within current property tax system in New Brunswick
- In the interim, recognizing the reform will take time, seek immediate transfer of the provincially retained heavy industry property tax for heavy industry within City limits
  - Estimated at \$8 million annually
  - Used as a **trial** project **to spur growth** until comprehensive property tax reform implemented
  - Growth benefits province greatly through income taxes, HST, payroll taxes, etc
  - Transfer conditional on City using funds to spur growth through reduction in property tax
  - Re-examined as part of comprehensive property tax reform



# Financial Summary

# Financial Summary



# What Could be Done with \$17 Million?

- Every \$670,000 is a penny on the tax rate
- Sample Option #1 – Lower Tax Rate
  - 24 cent reduction to 1.54
    - Approximately 10 cents lower than Moncton and 10 cents higher than Fredericton
    - Still 20-30 cents higher than regional towns and even more difference with regional LSDs
- Sample Option #2 – Match Moncton Tax Rate and Sustainment Focus
  - \$9 million used to lower tax rate by 13 cents
  - \$8 million for other options. Examples .....
  - Dramatically reduce borrowing for Capital projects (current borrow is \$10 million annually)
  - Incentive fund to encourage business growth
- **All of the above is hypothetical until transformational reforms of previous slide are implemented**



**Next Steps**



# Next Steps

- Media briefing being offered (Mayor and City Manager) Tuesday 21 April at 10:00am
- Meeting with Regional Caucus, date TBD
  - Demonstrate that we have followed through on our commitments
  - Stress importance of transformational reforms
  - Seek recognition and mitigation for the reality that Regional Management Task Force has failed
  - Seek recognition of industrial burden and seek immediate relief through a pilot/trial project of heavy industrial tax transfer to spur growth
- Two weeks for public discussion
  - Speak to your Councillor
  - Email comments to [feedback@saintjohn.ca](mailto:feedback@saintjohn.ca)
- Briefing to Common Council on 4 May with multiple recommendations to enable overall plan and future staff action



**Conclusion**

# We Have a Plan

- Must balance budget for 2021 and 2022 (\$10 million)
  - 50% workforce adjustments
  - 50% high assurance initiatives and continuous improvement initiatives
  - Standby initiatives for unforeseen
- Thereafter....
  - Must control costs
    - Binding arbitration reform
    - Wage escalation policy
    - Continuous improvement initiatives
    - Implementation of fundamental reviews
    - Regionalization of services in the longer term
    - Operational audit recommendations
  - Must increase revenues immediately .... otherwise more cuts coming
    - Regional cost sharing
    - First phase of property tax reform....followed by full implementation of reform
    - Operational audit recommendations
    - Empower CSJ to make/receive additional revenue
  - Must spur growth
    - New economic development framework
    - Continued improvements to policies, procedures and mindset
    - Lower the tax rate
    - Change the narrative from negativity to positivity

# Conclusion

- We are taking a thoughtful, strategic approach
- We put 'all options on the table' to solve our immediate deficit
- Our work with the Province on transformational reform is hopeful, positive and productive
- We have a long-term vision to create opportunities for growth and improve the quality of life in Saint John

# Key Takeaways

- We have solved the immediate \$10 million challenge
- We have not yet solved structural deficit or assured financial future
  - But we have a viable and achievable plan!
  - We must complete the transformational reforms
- City has done its job to get on the right path
- The Province is requested to take a leadership role for the next steps
- With all of the above, the future is indeed bright! There is a light at the end of the tunnel



**Recommendation**

# Recommendation

- That Common Council receive and file this information briefing, provide initial comments, allow two weeks for public discourse, and be prepared to consider a full suite of applicable recommendations at subsequent Common Council meeting





# Common Council Sustainability Plan Information Brief



John Collin  
City Manager  
20 April 2020



Sustainability Plan - Prong 2 (\$5 Million)

Sustainability Options	Hopper	Plan
<b>Revenue</b>		
1. Permit and Development Approval Fee Increases	\$80,000	\$80,000
2. Permit and Development Approvals, New Fees	\$35,000	\$13,000
3. Fire Fees for Service	\$45,600	\$30,000
4. Fire Fees for Emergency Response	\$90,000	\$90,000
5. Recreation Subsidization	\$300,000	\$260,000
6. On-Street Parking Increase	\$118,000	\$118,000
7. Parking Ticket Increase	\$123,000	\$127,000
8. Monthly Parking Increase	\$116,000	\$116,000
9. Non-Resident Differential Parking Fee	\$620,000	\$220,000
10. Adelaide Street	\$25,500	\$25,500
11. Heavy Vehicle Permits	\$0	\$1,000,000
<b>Operating Cost Reduction</b>		
12. Rightsizing Rec Facilities – Rainbow Park Ice	\$10,000	\$10,000
13. Rightsizing Rec Facilities – Lawn Bowling	\$10,000	\$10,000
14. Arena Closure	\$155,000	\$155,000
15. Winter Street Maintenance	\$347,000	\$130,000
16. Asphalt Overlay Program	\$200,000	\$200,000
17. Suspension of Growth Reserve (2021 & 2022)	\$350,000	\$350,000
18. Freeze Goods & Services Budget Envelope	\$200,000	\$200,000
19. Transit Redesign	\$2,000,000	\$750,000
20. Casual Workforce Reduction (Parks & Recreation)	\$389,000	\$100,000
21. Casual Workforce Reduction (Works)	\$182,000	\$51,000
22. Council Budget Reduction	\$0	\$25,000
<b>Sustainability Ideas Sub-total as February 24, 2020</b>	<b>\$5,396,100</b>	<b>\$4,060,500</b>
<b>Continuous Improvement Initiatives (Total Envelope)</b>	<b>\$1,129,000</b>	<b>\$1,129,000</b>
<b>Projected Revenue and Saving</b>	<b>\$6,525,100</b>	<b>\$5,189,500</b>

Hopper Value - Target endorsed by Council as each idea was presented for consideration

Plan - Sustainability ideas recommended for implementation to address the deficit in 2021 / 2022:

## 1. Permit and Development Approval Fee Increases

Description
Proposes adjustments to existing fees that align with the Consumer Price Index (CPI). The majority of fees have not been increased for 8-10 years, with some others up to 20 years. The proposed fee structure will be simplified to address fee irregularities for ease of application, fairness, and improved process. Applicable by-laws will need to be amended and approved by Council to implement the fee increases.
Original Target (as presented to Mayor and Council, December 2, 2019)
\$80,000 (Revenue)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
The impact is mainly one of perception that increasing fees is contrary to supporting growth. For example, the average new home in Saint John is valued at \$190,000; the current building permit fee is \$1,725, versus the proposed new fee of \$1,811 – representing an increase of \$86.

## 2. Permit and Development Approvals, New Fees

Description
Proposes the implementation of new fees that align with other municipalities and recover a portion of service delivery costs. The plan proposes that only new fees related to electrical waivers and other miscellaneous service offerings be considered.
Original Target (as presented to Mayor and Council, February 24, 2020)
\$35,000 (Revenue)
Revised Target
\$13,000
Adjustment Explanation
To remain more in line with comparators, heritage and pre-application meeting fees have been removed from the original target.
Impacts
The impacts are primarily one of perception in that new fees are contrary to supporting growth. Most municipalities (Moncton, Quispamsis, Rothesay) and Regional Service Commissions charge a fee to issue an electrical waiver; however, the City's Building By-law does not currently charge a fee for this service.

### 3. Fire Fees for Service

Description
Proposes recovering costs related to service response to False Alarm Activations, invalid Fire Alarm and Suppression Systems, Stand-By Services, Non-Fire Service Requests, and Non-Emergency Rapid Entry System Access. Liquor Licence inspection for Special Occasions and Events will not be included for recovery, as they are not for profit.
Original Target (as presented to Mayor and Council, November 18, 2019)
\$45,600 (Revenue)
Revised Target
\$30,000
Adjustment Explanation
Full scope of recoverable fees has been changed based on feedback from the Office of the Fire Marshal (Public Safety). Not-for-profit Liquor Licence and Not-for-profit Occupancy inspections would not be endorsed for fee recovery by the Office of the Fire Marshal, which is an endorsement that would be required to proceed.
Impacts
There is a potential minor impact on the number of reported emergencies due to perception of billing.

## 4. Fire Fees for Emergency Response

Description
Proposes recovering costs related to a variety of fire related incidents. Service offerings where fees would apply include fire rescue and suppression, hazardous materials response (within the city), technical rescue, motor vehicle accidents, and other agency response requests, with a focus on commercial and industrial incidents and those involving non-residents. It is recommended that within the proposed by-laws required to implement these fees, a clause be included that provides for discretion by the Fire Chief to be applied in billing for fees. This would include applying fees to Saint John residents for incidents such as thrill-seeking, recklessness, and neglect.
Original Target (as presented to Mayor and Council, February 24, 2020)
\$90,000 (Revenue)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
There is a potential minor impact on number reported emergencies due to perception of billing.

## 5. Recreation Subsidization

Description
Focuses on revenue generation to recover operating costs for recreation facilities in accordance with the Recreation Subsidization Policies approved by Common Council in December of 2019. The projected revenue does not include non-resident user fees.
Original Target (as presented to Mayor and Council, December 16, 2019)
\$300,000 (Revenue)
Revised Target
\$260,000
Adjustment Explanation
<p>Council has endorsed a Subsidization Policy for cost recovery percentages.</p> <ul style="list-style-type: none"><li>• Summer 2020 Sports Fields, Arena Floor, and Tennis Rates have been approved by Council - projected revenue of \$160,000.</li><li>• 2020-2021 Season Rates for Arena Ice requires Council approval - projected revenue \$100,000.</li></ul>
Impacts
While there is an increased cost to users, the impact is being mitigated through a phased approach to implementation. Sports fields, arena floor, and tennis court rate increases will be phased in over 3 years (2020, 2021, 2022). Arena ice will be phased in over 2 years (2021, 2022).

## 6. On-Street Parking Increase

Description
Increase on-street parking in the amount of twenty-five cents per hour. In addition, this initiative also proposes a new approach for on-street parking in the South Central Peninsula and other areas of the city. This may include potentially expanding metered parking areas and adjusting rates based on parking demand. This proposed approach is similar to current practices in Moncton and Halifax.
Original Target (as presented to Mayor and Council, December 2, 2019)
\$118,000 (Revenue)
Revised Target
No change
Adjustment Explanation
No applicable
Impacts
Further consultation is required to address potential impacts on business in the Uptown core.

## 7. Parking Ticket Increase

Description
Proposes that all Parking Meter and Traffic By-law violations increase. This increase aligns with ticket amounts in Fredericton, Moncton and Halifax. It should be noted that fees in Saint John have not been increased since 2012.
Original Target (as presented to Mayor and Council, December 2, 2019)
\$123,000 (Revenue)
Revised Target
\$127,000
Adjustment Explanation
Based on 2019 actuals.
Impacts
No Impacts



## 8. Monthly Parking Increase

Description
Increase to monthly parking of 10%, under the authority of the Parking Commission and will be effective April 1, 2020. The Saint John Parking Commission manages 2,100 parking spaces in 27 parking lots under 22 lease agreements (property is not owned by the City of Saint John, aside from spaces located in the Market Square parking garage). The City is working with the Commission to develop a mechanism to allocate additional revenue to the City based on services provided to the Commission.
Original Target (as presented to Mayor and Council, December 2, 2019)
\$116,000 (Revenue)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
No Impacts

## 9. Non-Resident Differential Parking Fees

Description
Proposes a 50% rate increase to monthly parking for non-residents. It is estimated that 40% of monthly parking spaces are occupied by non-residents. The City is working with the Commission to develop a mechanism to allocate additional revenue to the City based on services provided to the Commission.
Original Target (as presented to Mayor and Council, December 2, 2019)
\$620,000 (Revenue)
Revised Target
\$220,000
Adjustment Explanation
<p>The original target was based on the total revenue received from monthly parking and then doubling rates for the portion of revenue corresponding to the percentage of non-residents.</p> <p>Using monthly parking data to determine the specific location and associated rate of non-resident parkers provided for a more accurate forecast.</p> <p>The revised target of \$220,000 represents a 50% increase for non-resident monthly parkers utilizing more precise data (using specific lot rates).</p>
Impacts
<p>No current mechanism requiring Saint John Parking Commission to flow revenue to the City's General Operating Fund.</p> <p>The Parking Commission has the authority to implement differential parking fees, provided Council adopts the distinction between residents and non-residents; this distinction is provided for in the Local Governance Act.</p>

## 10. Adelaide Street

Description
Council approved a lease agreement with Housing Alternatives to rent first floor space in the main building at 171 Adelaide Street, as well as an out-building. Parks and Recreation staff have been relocated to the second floor. Base building work has been completed by the City, including a new access location for customers of Parks and Recreation. The full revenue is inclusive of rent and utilities.
Original Target (as presented to Mayor and Council, January 27, 2020)
\$25,500 (Revenue)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
The new access location for customers of Parks and Recreation may also change with the opening of new City Hall space.

## 11. Heavy Vehicle, Oversized Load and Overweight Vehicle Permits

Description
Proposes processes and by-laws around managing oversized and/or overweight loads on city streets, in conjunction with the Province. This would involve implementing a permitting process in accordance with provincial legislation. Estimated revenue takes into consideration the investment to implement this initiative in terms of enforcement, administration, and technology requirements.
Original Target (not yet presented to Mayor and Council for hopper consideration)
\$1,000,000 (at minimum) (Revenue)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
Positive impact to service delivery by reducing turnaround time to approve variances to current weight restrictions.  Alignment with provincial permitting system and shared strategy on protecting infrastructure.

## 12. Rightsizing Recreation Facilities – Rainbow Park Ice

Description
Proposes elimination of this service offering. Since first presented to Council for consideration, staff has completed several attendance audits and confirmed very low usage. Through January and February of 2020, City staff completed audits over 41 days, visiting the ice surface several times each day. On over half of those occasions, there were no users and on only four visits were there more than five people at the ice surface.
Original Target (as presented to Mayor and Council, November 18, 2019)
\$10,000 (Savings)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
Reduction in free seasonal recreation service; however, data indicates low usage.

### 13. Rightsizing Recreation Facilities – Lawn Bowling

Description
Proposes closure, or move to a 'Community Model', of the facility at Seaside Park, based on: a Lawn Bowling club membership of only 55; annual operating subsidies provided by the City; infrastructure the City may need to continue to invest in; and no revenues received by the City. The Lawn Bowling Association has expressed an interest in this facility.
Original Target (as presented to Mayor and Council, November 18, 2019)
\$10,000 (Savings)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
Discontinued free recreation service; however, a 'Community Model' would enable service to be maintained.

## 14. Arena Closure

Description
Proposes the closure and divestment of one of the four arenas that are owned and operated by the City of Saint John. The specific arena will be chosen based on Develop Saint John analysis of best value and user group consultation. Closure of one arena aligns with Play SJ recommendations and demand can be accommodated in the three remaining arenas. The savings are related to operations and consider a modest reduction in revenue.
Original Target (as presented to Mayor and Council, December 16, 2019)
\$155,000 (Savings)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
Reduction in number of arenas; however, still within PlaySJ rightsizing recommendations.

## 15. Winter Street Maintenance

Description
Proposes a modification of the day and night shift compliment that will result in a more balanced response to snow events. It should be noted that the savings from this initiative are primarily related to elimination of three single-use pieces of equipment and improved utilization of multi-use equipment.
Original Target (as presented to Mayor and Council, December 4, 2019)
\$347,000 (Savings)
Revised Target
\$130,000
Adjustment Explanation
Retain loaders and remove only allocated 6-yards. This will mitigate service impacts due to specialized loader capabilities. Unchanged is the balancing of day and night shift activities, which will decrease overtime requirements.
Impacts
Reduced target will allow for efficient completion of snow removal tasks best performed by loaders and allow for flexibility in equipment allocation. The proposed plan will still allow for a more balanced service delivery between the day and night shifts and less overtime.



## 16. Asphalt Overlay Program

Description
<p>This program is a resource intensive process that is typically completed on roads that already require full reconstruction in rural and low traffic areas. Suspending this program by 2.8% (annual asphalt budget is \$7.1 Million) will divert resources to preventative maintenance activities such as local drainage projects, asphalt patching, and repairs in high traffic areas that will have an impact on extending the life-span of those street.</p>
Original Target (as presented to Mayor and Council, February 24, 2020)
\$200,000 (Savings)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
<p>No impact, as efforts will be redirected to other necessary improvements including ongoing street repairs and local drainage. There will be an increase to the amount of patching on higher priority roads.</p>

## 17. Suspension of Growth Reserve (2021 and 2022)

Description
Proposes the suspension of annual contributions in 2021 and 2022. This Reserve was developed to support the transition of a variety of changes as a result of the Roadmap for Smart Growth. The intention of the Reserve was to enhance the City's ability to more comfortably respond to unforeseen economic obstacles or accelerate opportunities.
Original Target (as presented to Mayor and Council, December 2, 2019)
\$350,000 (Savings)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
While this may reduce the City's ability to respond to unforeseen challenges and opportunities, it is important to recognize that the fund has a balance of uncommitted funds.

## 18. Freeze Goods and Services Envelope

Description
Proposes the continued freeze on goods and services budget envelopes for 2021 and 2022. This means no increase related to future Consumer Price Index (CPI) adjustments. For those items that have to increase for service area operations, reductions must be found to other budget lines within that service area.
Original Target (as presented to Mayor and Council, December 16, 2019)
\$200,000 (Savings)
Revised Target
Not Applicable
Adjustment Explanation
Not Applicable
Impacts
Impact for each service area is forecasted to be manageable.  Asset management envelopes are not to be impacted by this initiative.

## 19. Transit Redesign

Description
Service improvements will be realized by focusing on innovative ways to deliver transit services, with a particular focus on main routes and priority neighbourhoods. A third-party operational audit, as approved by Council and awarded to Stantec in January 2020, will exam all transit operations to find savings through efficiencies.
Original Target (as presented to Mayor and Council, January 27, 2020)
\$2,000,000 (Savings)
Revised Target
\$750,000
Adjustment Explanation
The consultant is early in the review process; however, having completed a number of stakeholder engagements including a public open house and working through all the background information, a revised target has been provided for this initiative.
Impacts
Minimize the impact in order to maintain or improve service offerings in key areas while achieving a cost-effective service for the public. The primary focus will be on main routes where ridership is highest and routes providing access to the transit system in the City's priority neighbourhoods. There will also be a focus on internal operations that will not have a direct impact on the public.

## 20. Casual Workforce Reduction (Parks and Recreation)

Description
Proposes a reduction of five casual employees in Parks and Recreation. In 2019, 38 casuals were hired to complement the permanent workforce during peak operational periods.
Original Target (as presented to Mayor and Council, February 24, 2020)
\$389,000 (Savings)
Revised Target
\$100,000
Adjustment Explanation
<p>Original target represented a reduction of 18 casual staff, plus savings from elimination of 4 rental vehicles and estimated revenue loss of \$10K.</p> <p>Revised target includes savings from wages only (5 staff), with savings from elimination of 1 rental vehicle offset by potential revenue loss related to sports field bookings.</p>
Impacts
This may result in a reduction in mowing, primarily on provincial lands, underutilized Land for Public Purposes (LPP), and low-profile medians.

## 21. Casual Workforce Reduction (Works)

Description
Proposes a reduction of two casual employees in Transportation and Environment Services' Works Division. In 2019, 16 casuals were hired to complement the permanent workforce during peak operational periods.
Original Target (as presented to Mayor and Council, February 24, 2020)
\$182,000 (Savings)
Revised Target
\$51,000
Adjustment Explanation
<p>Original target represented a reduction of 8 casual employees (\$160,000), and the elimination of 2 rental vehicles (\$22,000 includes fuel).</p> <p>The revised target includes the reduction of 2 casual employees (\$40,000) and the elimination of 1 rental vehicle (\$11,000 includes fuel).</p>
Impacts
The reduction of 2 casual employees would have minimal impact on the summer operations of Transportation and Environment Services' Works Division.

## 22. Council Budget Reduction

Description
Proposes a reduction in the budgets designated for the Mayor's Office and Common Council with historical surpluses. In addition, through benchmarking against other municipalities, it was determined that implementation of a ticket policy and catering policy should be implemented.
Original Target (not yet presented to Mayor and Council for hopper consideration)
\$25,000 (Savings)
Revised Target
No change
Adjustment Explanation
Not applicable
Impacts
Based on historical surpluses, a reduction is achievable.

## Asphalt Overlay Program (Standby Items – #1 and #13)

Description									
<p>This program is a resource intensive process that is typically completed on roads that already require full reconstruction in rural and low traffic areas. Suspending this program will divert resources to preventative maintenance activities such as local drainage projects, asphalt patching, and repairs in high traffic areas that will have an impact on extending the life-span of those street.</p>									
Original Target (as presented to Mayor and Council, February 24, 2020)									
\$200,000 (Savings)									
Revised Target									
<table> <tr> <td>Sustainability Plan Item</td><td>\$200,000</td></tr> <tr> <td>Standby Item – #1</td><td>\$150,000</td></tr> <tr> <td>Standby Item – #13</td><td>\$150,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$500,000</b></td></tr> </table>		Sustainability Plan Item	\$200,000	Standby Item – #1	\$150,000	Standby Item – #13	\$150,000	<b>TOTAL</b>	<b>\$500,000</b>
Sustainability Plan Item	\$200,000								
Standby Item – #1	\$150,000								
Standby Item – #13	\$150,000								
<b>TOTAL</b>	<b>\$500,000</b>								
Adjustment Explanation									
<p><b>Standby Item – #1:</b> Suspending this program by an additional <b>2.1%</b>, for a cumulative reduction of 4.9% (annual asphalt budget is \$7.1 Million).</p> <p><b>Standby Item – #13:</b> An additional <b>2.1%</b> suspension, for a cumulative reduction of 7.0% (annual asphalt budget is \$7.1 Million). This represents a full suspension of the program.</p>									
Impacts									
<p>No impact, as efforts will be redirected to other necessary improvements including ongoing street repairs and local drainage. There will be an increase to the amount of patching on higher priority roads. During timeframe of 2021-2022, these reductions are sustainable.</p>									



## Passport to Parks (Standby Item – #2)

Description							
Proposes a suspension of funding for 'Passport to Parks'. This initiative was established in 2014 with the purpose of showcasing the assets and natural resources of our regional and district parks, while promoting inclusion and healthy, active living.							
Original Target (as presented to Mayor and Council, November 18, 2019)							
\$35,000 (Savings)							
Revised Target							
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>N/A</td></tr> <tr> <td>Standby Item – #2</td><td>\$35,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$35,000</b></td></tr> </table>		Sustainability Plan Item	N/A	Standby Item – #2	\$35,000	<b>TOTAL</b>	<b>\$35,000</b>
Sustainability Plan Item	N/A						
Standby Item – #2	\$35,000						
<b>TOTAL</b>	<b>\$35,000</b>						
Adjustment Explanation							
Not applicable							
Impacts							
'Passport to Parks' events would be suspended in 2021-2022.							

## Non-Resident Differential Parking Fee (Standby Item – #3)

Description							
<p>Proposes an additional rate increase to monthly parking for non-residents. It is estimated that 40% of monthly parking spaces are occupied by non-residents. The City is working with the Commission to develop a mechanism to allocate additional revenue to the City based on services provided to the Commission.</p>							
Original Target (as presented to Mayor and Council, December 2, 2019)							
\$620,000 (Savings)							
Revised Target							
<table> <tr> <td>Sustainability Plan Item</td><td>\$220,000</td></tr> <tr> <td>Standby Item – #3</td><td>\$220,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$440,000</b></td></tr> </table>		Sustainability Plan Item	\$220,000	Standby Item – #3	\$220,000	<b>TOTAL</b>	<b>\$440,000</b>
Sustainability Plan Item	\$220,000						
Standby Item – #3	\$220,000						
<b>TOTAL</b>	<b>\$440,000</b>						
Adjustment Explanation							
<p>The original target was based on the total revenue received from monthly parking and then doubling rates for the portion of revenue corresponding to the percentage of non-residents.</p> <p>Using monthly parking data to determine the specific location and associated rate of non-resident parkers provided for a more accurate forecast.</p> <p><b>Standby Item – #3:</b> The target of \$220,000 represents an additional <b>50%</b> rate increase for non-resident monthly parkers (representing a doubling of original rates).</p>							
Impacts							
<p>No current mechanism requiring Saint John Parking Commission to flow revenue to the City's General Operating Fund.</p> <p>The Parking Commission has the authority to implement differential parking fees, provided Council adopts the distinction between residents and non-residents; this distinction is provided for in the Local Governance Act.</p>							

## Casual Workforce Reduction (Works) (Standby Items – #4 and #10)

Description									
Proposes a further reduction of casual employees in Transportation and Environment Services' Works Division. In 2019, 16 casuals were hired to complement the permanent workforce during peak operational periods.									
Original Target (as presented to Mayor and Council, February 24, 2020)									
\$182,000 (Savings)									
Revised Target									
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>\$51,000</td></tr> <tr> <td>Standby Item – #4</td><td>\$40,000</td></tr> <tr> <td>Standby Item – #10</td><td>\$91,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$182,000</b></td></tr> </table>		Sustainability Plan Item	\$51,000	Standby Item – #4	\$40,000	Standby Item – #10	\$91,000	<b>TOTAL</b>	<b>\$182,000</b>
Sustainability Plan Item	\$51,000								
Standby Item – #4	\$40,000								
Standby Item – #10	\$91,000								
<b>TOTAL</b>	<b>\$182,000</b>								
Adjustment Explanation									
<p>Original target represented a reduction of 8 casual employees (\$160,000), and the elimination of 2 rental vehicles (\$22,000 includes fuel). This target would still be achieved if both Standby Items were implemented.</p> <p>The revised target for 'Sustainability Plan Item' includes the reduction of 2 casual employees and the elimination of 1 rental vehicle.</p> <p><b>Standby Item – #4:</b> Reduction of workforce by <b>2 additional casual employees</b>; a cumulative reduction of 4 employees and 1 vehicle.</p> <p><b>Standby Item – #10:</b> Reduction of workforce by <b>4 additional casual employees</b> and the elimination of <b>1 additional rental vehicle</b>; a cumulative reduction of 8 employees and 2 vehicles.</p>									
Impacts									
The reduction of casual employees would result in a reduction of capacity of many areas of Transportation and Environment Services' Works Division summer operation. This could result in a longer response time to citizen requests.									

## Casual Workforce Reduction (Parks and Recreation) (Standby Items – #5 and #11)

Description									
Proposes a further reduction of casual employees in Parks and Recreation. In 2019, 38 casuals were hired to complement the permanent workforce during peak operational periods.									
Original Target (as presented to Mayor and Council, February 24, 2020)									
\$389,000 (Savings)									
Revised Target									
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>\$100,000</td></tr> <tr> <td>Standby Item – #5</td><td>\$89,500</td></tr> <tr> <td>Standby Item – #11</td><td>\$199,500</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$389,000</b></td></tr> </table>	Sustainability Plan Item	\$100,000	Standby Item – #5	\$89,500	Standby Item – #11	\$199,500	<b>TOTAL</b>	<b>\$389,000</b>	
Sustainability Plan Item	\$100,000								
Standby Item – #5	\$89,500								
Standby Item – #11	\$199,500								
<b>TOTAL</b>	<b>\$389,000</b>								
Adjustment Explanation									
<p>Original target represented a reduction of 18 casual employees (\$360,000), and the elimination of 4 rental vehicles (\$39,000 includes fuel). This target would still be achieved if both Standby Items were implemented.</p> <p>The revised target for ‘Sustainability Plan Item’ includes the reduction of 5 casual employees, with savings from elimination of 1 rental vehicle offset by potential revenue loss related to sports field bookings.</p> <p><b>Standby Item – #5:</b> Reduction of workforce by <b>4 additional casual employees</b> and the elimination of <b>1 additional rental vehicle</b>; a cumulative reduction of 9 employees and 2 vehicles.</p> <p><b>Standby Item – #11:</b> Reduction of workforce by <b>9 additional casual employees</b> and the elimination of <b>2 additional rental vehicles</b>; a cumulative reduction of 18 employees and 4 vehicles.</p>									
Impacts									
<p><b>Standby Item – #5:</b> Further reductions in mowing, sports field bookings, and work on ASD-South sports fields and potentially 1-2 City sports fields.</p> <p><b>Standby Item – #11:</b> Reduced maintenance levels at City parks, reduction of ornamental flower and hanging basket programs, longer response time for tree work, and impacts to operation of neighbourhood playgrounds.</p>									

## Grants – Other (Standby Item – #6)

Description							
Proposes elimination of grant funding for the Horticultural Association and Mispec Beach.							
Original Target (as presented to Mayor and Council, December 2, 2019)							
\$45,000 (Savings)							
Revised Target							
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>N/A</td></tr> <tr> <td>Standby Item – #6</td><td>\$45,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$45,000</b></td></tr> </table>		Sustainability Plan Item	N/A	Standby Item – #6	\$45,000	<b>TOTAL</b>	<b>\$45,000</b>
Sustainability Plan Item	N/A						
Standby Item – #6	\$45,000						
<b>TOTAL</b>	<b>\$45,000</b>						
Adjustment Explanation							
Not applicable							
Impacts							
<p>Elimination in funding for the Horticultural Association and Mispec Beach. The full impact of the elimination of this funding would require consultation with these organizations.</p> <p>These organizations could potentially be considered for funding through the Community Grants program.</p>							

## Permit and Development Approvals, New Fees (Standby Item – #7)

Description							
Proposes the implementation of new fees to recover a portion of service delivery costs. The new fees presented in this Standby Item are related to: heritage permits and pre-application meeting fees.							
Original Target (as presented to Mayor and Council, February 24, 2020)							
\$35,000 (Revenue)							
Revised Target							
<table> <tr> <td>Sustainability Plan Item</td><td>\$13,000</td></tr> <tr> <td>Standby Item – #7</td><td>\$20,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$33,000</b></td></tr> </table>	Sustainability Plan Item	\$13,000	Standby Item – #7	\$20,000	<b>TOTAL</b>	<b>\$33,000</b>	
Sustainability Plan Item	\$13,000						
Standby Item – #7	\$20,000						
<b>TOTAL</b>	<b>\$33,000</b>						
Adjustment Explanation							
<p>Original target reduced by \$2,000 upon further analysis.</p> <p>The Heritage Service area within Growth and Community Development provides program support and service to 11 heritage conservation areas and 555 heritage-designated properties. The proposed cost recovery is less than 5% of the total Heritage budget.</p> <p>Pre-application meetings require review and analysis from a number of senior staff due to the complexity of the files. On average, 27 meetings per year are held, with only 13 proceeding to a formal application. Based on this average, it is estimated that \$13,000 per year could be realized in new fees. It is proposed, if an application is made within a year from the meeting, the fee could be credited toward the Building Permit Application.</p>							
Impacts							
<p>Heritage Permits – Perception of being contrary growth and to be in line with comparators. It should be noted Saint John has a much larger inventory of heritage properties than our comparators.</p> <p>Pre-Application Meeting Fees – Proposing a similar structure to other municipalities – an upfront fee with a reduction of the building permit fee if an application is made within a year from the meeting.</p>							

## Transit Redesign (Standby Item – #8)

Description							
Service improvements will be realized by focusing on innovative ways to deliver transit services, with a particular focus on main routes and priority neighbourhoods. A third-party operational audit, as approved by Council and awarded to Stantec in January 2020, will exam all transit operations to find savings through efficiencies.							
Original Target (as presented to Mayor and Council, January 27, 2020)							
\$2,000,000 (Savings)							
Revised Target							
<table> <tr> <td>Sustainability Plan Item</td><td>\$750,000</td></tr> <tr> <td>Standby Item – #8</td><td>\$250,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$1,000,000</b></td></tr> </table>		Sustainability Plan Item	\$750,000	Standby Item – #8	\$250,000	<b>TOTAL</b>	<b>\$1,000,000</b>
Sustainability Plan Item	\$750,000						
Standby Item – #8	\$250,000						
<b>TOTAL</b>	<b>\$1,000,000</b>						
Adjustment Explanation							
<p>The consultant is early in the review process; however, having completed a number of stakeholder engagements including a public open house and working through all the background information, a revised target has been provided for this initiative.</p> <p>Would involve refinement of scope to find further efficiencies in order to achieve an additional \$250,000 in savings.</p>							
Impacts							
Minimize the impact in order to maintain or improve service offerings in key areas while achieving a cost-effective service for the public. The primary focus will be on main routes where ridership is highest and routes providing access to the transit system in the City's priority neighbourhoods. There will also be a focus on internal operations; however, there may be some impacts on the public.							

## Playground Program (Standby Item – #9)

Description							
Proposes a reduction in funding for the Playground Program. The City of Saint John's Parks and Recreation Department offers this free summer program for children ages 6-12 at various locations throughout the city and provides support for additional playground locations operated by third parties.							
Original Target (as presented to Mayor and Council, November 18, 2019)							
\$90,000 (Savings)							
Revised Target							
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>N/A</td></tr> <tr> <td>Standby Item – #9</td><td>\$42,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$42,000</b></td></tr> </table>		Sustainability Plan Item	N/A	Standby Item – #9	\$42,000	<b>TOTAL</b>	<b>\$42,000</b>
Sustainability Plan Item	N/A						
Standby Item – #9	\$42,000						
<b>TOTAL</b>	<b>\$42,000</b>						
Adjustment Explanation							
Original target represented a full elimination of the Playground Program. Revised target is for a reduction from 6 City-operated sites to 3 sites, while maintaining same level of support for sites operated by third parties (primarily located in priority neighbourhoods).							
Impacts							
Less City-operated sites means some participants may need to travel farther to attend program.							



## Winter Street Maintenance (Standby Item – #12)

Description							
Proposes a further reduction of equipment in Transportation and Environment Services' Works Division, including loaders and other miscellaneous winter equipment.							
Original Target (as presented to Mayor and Council, December 4, 2019)							
\$347,000 (Savings)							
Revised Target							
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>\$130,000</td></tr> <tr> <td>Standby Item – #12</td><td>\$217,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$347,000</b></td></tr> </table>		Sustainability Plan Item	\$130,000	Standby Item – #12	\$217,000	<b>TOTAL</b>	<b>\$347,000</b>
Sustainability Plan Item	\$130,000						
Standby Item – #12	\$217,000						
<b>TOTAL</b>	<b>\$347,000</b>						
Adjustment Explanation							
<p>Original target represented the removal of three 6-yard trucks and the modification of the day and night shift complement that would result in a more balanced response to snow events.</p> <p>This Standby Item represents the removal of 6 loaders and other miscellaneous winter operations equipment.</p>							
Impacts							
Removal of additional equipment will have an effect on service delivery for peak-time snow events, as well as impact post-storm push back and snow removal.							

## Community Centres (Standby Item – #14)

Description							
Proposes a reduction in funding of the primary community centres supported by the City, which are as follows: Carleton Community Centre; Irving Oil Field House Community Centre; Millidgeville Community Centre; Nick Nicolle Community Centre; and, South End Community Centre.							
Original Target (as presented to Mayor and Council, January 27, 2020)							
\$70,000 (Savings)							
Revised Target							
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>N/A</td></tr> <tr> <td>Standby Item – #14</td><td>\$68,463</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$68,463</b></td></tr> </table>		Sustainability Plan Item	N/A	Standby Item – #14	\$68,463	<b>TOTAL</b>	<b>\$68,463</b>
Sustainability Plan Item	N/A						
Standby Item – #14	\$68,463						
<b>TOTAL</b>	<b>\$68,463</b>						
Adjustment Explanation							
Irving Oil Field House Community Centre programming and attendance numbers comparable to Millidgeville Community Centre; recommend Field House funding be reduced to match MCC. Remainder of target distributed in proportion to current funding levels (~ 6.6% reduction for remaining centres).							
Impacts							
Some adjustments to programming may be required.							

## Grants – Development Incentives and Heritage (Standby Item – #15)

Description							
Proposes a suspension of Development Incentives and Heritage Grants. These grants relate to the Central Peninsula.							
Original Target (as presented to Mayor and Council, December 2, 2019)							
\$300,000 (Savings)							
Revised Target							
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>N/A</td></tr> <tr> <td>Standby Item – #15</td><td>\$300,000</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$300,000</b></td></tr> </table>		Sustainability Plan Item	N/A	Standby Item – #15	\$300,000	<b>TOTAL</b>	<b>\$300,000</b>
Sustainability Plan Item	N/A						
Standby Item – #15	\$300,000						
<b>TOTAL</b>	<b>\$300,000</b>						
Adjustment Explanation							
Not applicable							
Impacts							
Potential impact on growth momentum in the South Central Peninsula.							

## Grants – Community Arts (Standby Item – #16)

Description							
Proposes a reduction of the Community Arts Funding Program, with the remaining envelope reallocated to the Community Grants Program. The Community Arts Funding Program offers project support for non-profit organizations or groups providing quality arts activities in any discipline of the creative arts.							
Original Target (as presented to Mayor and Council, December 2, 2019)							
\$19,721 (Savings)							
Revised Target							
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>N/A</td></tr> <tr> <td>Standby Item – #16</td><td>\$19,721</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$19,721</b></td></tr> </table>		Sustainability Plan Item	N/A	Standby Item – #16	\$19,721	<b>TOTAL</b>	<b>\$19,721</b>
Sustainability Plan Item	N/A						
Standby Item – #16	\$19,721						
<b>TOTAL</b>	<b>\$19,721</b>						
Adjustment Explanation							
Not applicable							
Impacts							
<p>The current envelope for the Community Arts Funding Program is \$50,000. This initiative proposes reallocating \$30,279 of that envelope into the Community Grants Program.</p> <p>Although the Community Arts Funding Program would no longer exist, organizations or groups that previously applied to that program would have the opportunity to apply for funding through the Community Grants Program.</p> <p>This initiative would result in a reduction in funding available for groups and organizations.</p>							

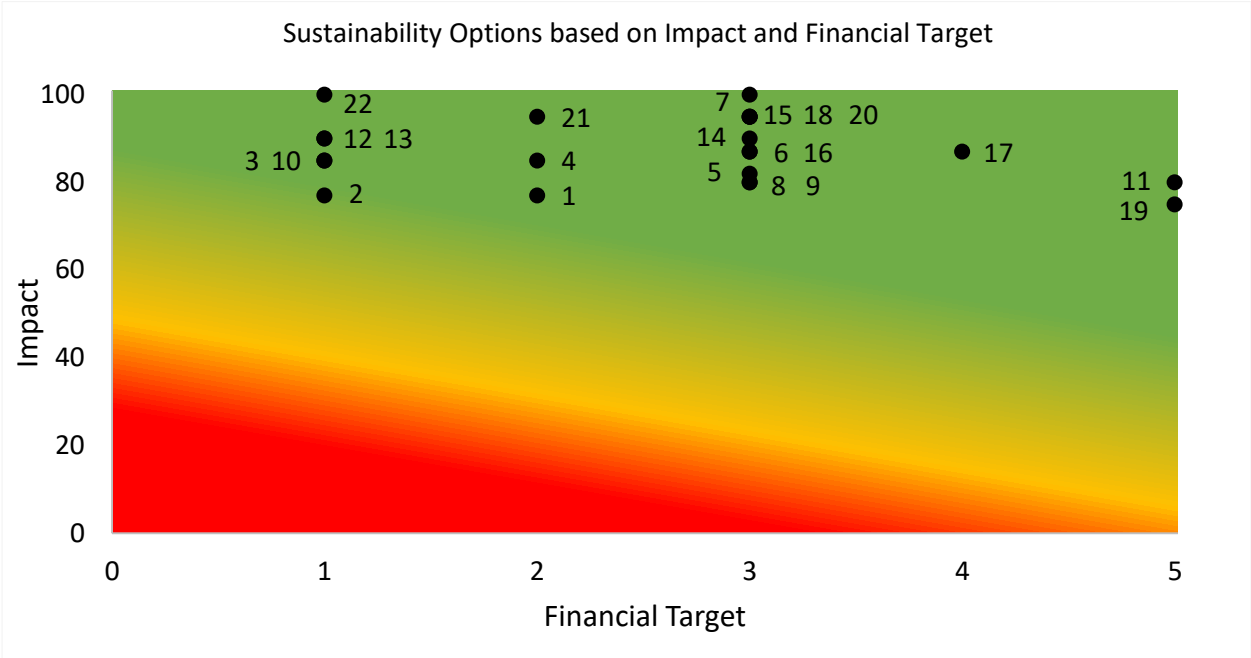
## Grants – Community Events (Standby Item – #17)

Description							
Proposes a suspension of Community Events Grants, which offer support for events the community can participate in, such as fireworks (Canada Day, New Year's celebrations) and Remembrance Day.							
Original Target (as presented to Mayor and Council, December 2, 2019)							
\$16,500 (Savings)							
Revised Target							
<table border="1"> <tr> <td>Sustainability Plan Item</td><td>N/A</td></tr> <tr> <td>Standby Item – #17</td><td>\$16,500</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$16,500</b></td></tr> </table>		Sustainability Plan Item	N/A	Standby Item – #17	\$16,500	<b>TOTAL</b>	<b>\$16,500</b>
Sustainability Plan Item	N/A						
Standby Item – #17	\$16,500						
<b>TOTAL</b>	<b>\$16,500</b>						
Adjustment Explanation							
Not applicable							
Impacts							
Reduction in funding available for events in the community (e.g., Remembrance Day ceremonies, fireworks).							

## Grants – Event Sponsorships (Standby Item – #18)

Description							
Proposes a suspension of Event Sponsorship Grants, which support one-time events as a result of a Council resolution.							
Original Target (as presented to Mayor and Council, December 2, 2019)							
\$17,500 (Savings)							
Revised Target							
<table> <tr> <td>Sustainability Plan Item</td><td>N/A</td></tr> <tr> <td>Standby Item – #18</td><td>\$17,500</td></tr> <tr> <td><b>TOTAL</b></td><td><b>\$17,500</b></td></tr> </table>		Sustainability Plan Item	N/A	Standby Item – #18	\$17,500	<b>TOTAL</b>	<b>\$17,500</b>
Sustainability Plan Item	N/A						
Standby Item – #18	\$17,500						
<b>TOTAL</b>	<b>\$17,500</b>						
Adjustment Explanation							
Not applicable							
Impacts							
Groups and organizations providing community events would need to apply to the Community Grants Program (e.g., ECMAs, Acadian Games).							

Appendix: Option Criteria Evaluation



Options considered Growth & Prosperity; Vibrant, Safe City; and Valued Service Delivery

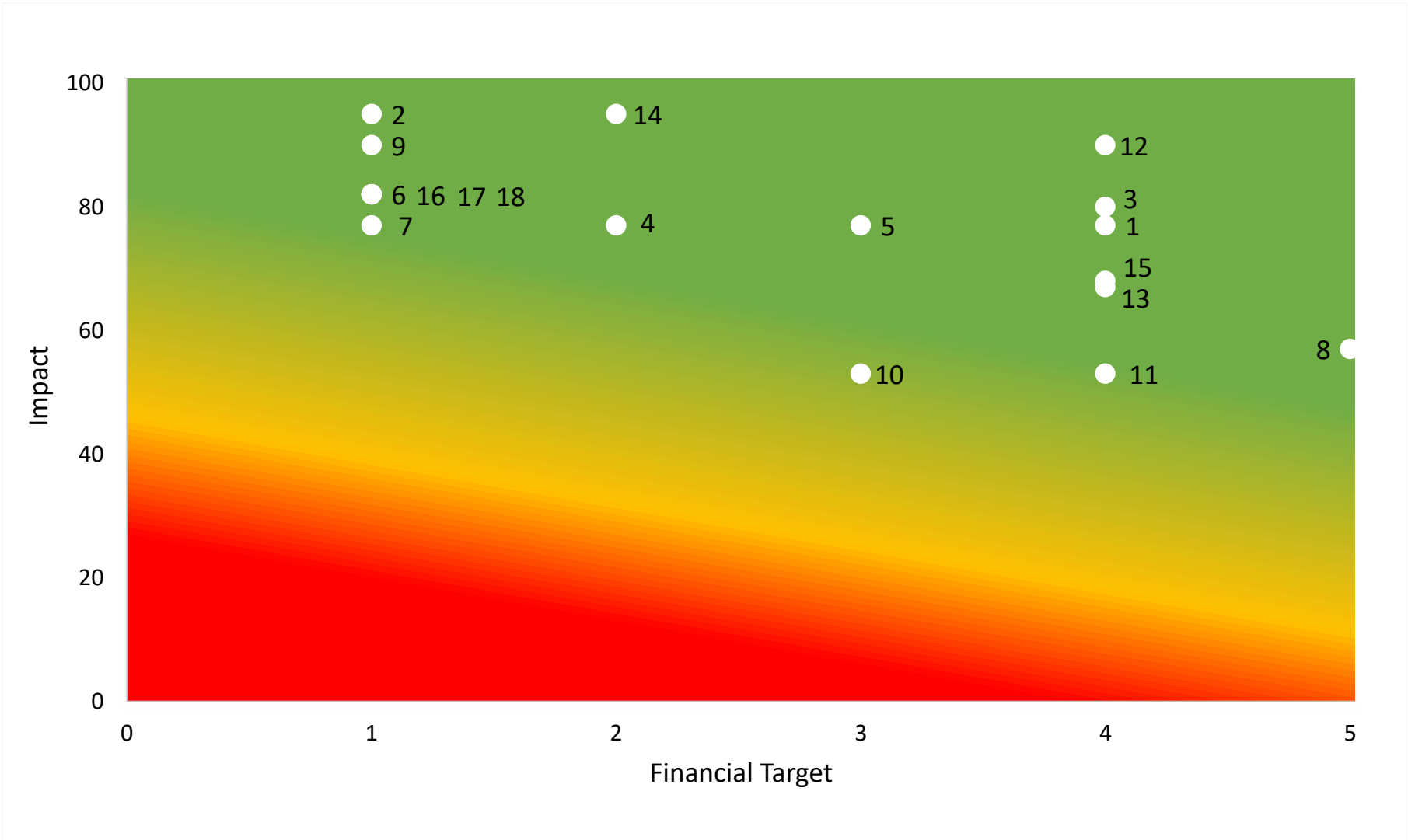
Note: Proposed options to address the 2021 and 2022 deficit.

Sustainability Options Evaluated as of April 20, 2020 (Not including Continuous Improvement Items)

- |  |   |
|--|---|
| 1. Permit and Development Approval Fee Increases     | 13. Rightsizing Recreation Facilities - Seaside Park Lawn Bowling |
| 2. Permit and Development Approvals - New Fees       | 14. Arena Closure   |
| 3. Fire Fees for Service                             | 15. Winter Street Maintenance                                     |
| 4. Fire Fees for Emergency Response                  | 16. Asphalt Overlay Program                                       |
| 5. Recreation Subsidization                          | 17. Suspension of Growth Reserve (2021 & 2022)                    |
| 6. On-Street Parking Increase                        | 18. Freeze Goods & Services Budget Envelope                       |
| 7. Parking Ticket Increase                           | 19. Transit Redesign  |
| 8. Monthly Parking Increase                          | 20. Casual Workforce Reduction (Parks & Recreation)               |
| 9. Non-Resident Differential Parking Fee             | 21. Casual Workforce Reduction (Works)                            |
| 10. Adelaide Street                                  | 22. Council Budget Reduction                                      |
| 11. Heavy Vehicle Permits                            |   |
| 12. Rightsizing Recreation Facilities - Rainbow Park |   |

Appendix: Option Criteria Evaluation

Sustainability Standby Options based on Impact and Financial Target



Standby Options considered Growth & Prosperity; Vibrant, Safe City; and Valued Service Delivery

*Note: Proposed Standby options to address the 2021 and 2022 deficit.*

Sustainability Standby Options Evaluated as of April 20, 2020 (Not including Continuous Improvement Items)

- 1. Asphalt Overlay Program (Phase 2)\*
- 2. Passport to Parks
- 3. Non-Resident Differential Parking Fee (Phase 2)\*
- 4. Casual Workforce Reduction (Works) (Phase 2)\*
- 5. Casual Workforce Reduction (Parks & Recreation) (Phase 2)\*
- 6. Grants - Other
- 7. Permit and Development Approvals, New Fees (Phase 2)\*
- 8. Transit Redesign (Phase 2)\*
- 9. Playground Program
- 10. Casual Workforce Reduction (Works) (Phase 3)\*\*
- 11. Casual Workforce Reduction (Parks & Recreation) (Phase 3)\*\*
- 12. Winter Street Maintenance (Phase 2)\*
- 13. Asphalt Overlay Program (Phase 3)\*\*
- 14. Community Centres
- 15. Grants - Development Incentives and Heritage
- 16. Grants - Community Arts
- 17. Grants - Community Events
- 18. Grants - Event Sponsorship

NOTES:  
Phases - Phase 2 and Phase 3 represent further savings or revenue in addition to the related Option provided on the Sustainability Plan.  
\*Represents Cumulative Impact/Financial Target of relative Plan Item and Standby Phase 2 item.  
\*\*Represents Cumulative Impact/Financial Target of the relative Plan Item, and Standby Phase 2 item, and Standby Phase 3 item.



# *FINAL REPORT*

## **Greater Saint John Regional Task Force Analysis**

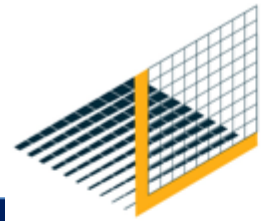
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## EXECUTIVE SUMMARY

### Introduction

The Saint John Region local governments as well as Local Service Districts have shared goals for economic growth and cost-effective service delivery. The Greater Saint John Regional Task Force is examining opportunities for improvement to shared service delivery and equitable cost-sharing mechanisms. This will enhance the sustainability of Greater Saint John financial performance and community development.

### Purpose and scope

This report responds to two key information needs set out by the Regional Task Force, specifically:

- ❑ **Benchmarking** - to compare recreation, protective services, road maintenance, and winter storm management services in Saint John versus seven (7) similar municipalities in Canada;
- ❑ **Regional cost analysis** – of servicing non-resident use of roads for commuting into Saint John, recreation facilities; and other services or amenities.

Estimates are required for this analysis therefore sources and methods are provided throughout for transparency. A conservative approach to avoid overstating the regional cost estimates has been taken throughout.

### Benchmarking results

Amongst the comparison group Saint John is at or near the lowest scores for demographics including population size, household income, and property values. On a per household basis Saint John parks costs are lowest in the group, recreation is in the middle, police costs are also in the middle, and fire services costs are highest. Saint John costs per paved lane-km of road is above the middle, and cost for winter storm management is in the middle of the group. Service metrics are not necessarily calculated the same way across municipalities so results are interpreted with caution.

### Regional analysis results

As cities grow out to and beyond their borders, they become regional centres for jobs, amenities, and recreation yet they do not capture revenues from the tax base outside their boundaries. This is a re-occurring challenge in municipal government that is not unique to Saint John. Additional costs to service residents that come from outside Saint John are estimated at \$12.3 million including: \$3.7 million in road costs, \$1.8 million in parks and recreation costs, and \$6.8 million in police, fire, and other costs. Employment growth, population growth, strategic land development and visitor attraction particularly through Saint John City staff, Economic Development Greater Saint John, Develop Saint John, and Discover Saint John involve significant investments by the City that benefit businesses and communities throughout the region. The City's combined investments in regional economic development in 2018 totalled \$2.9 million. Employment growth plays a critical role in the economic development of the region, especially considering that for every 100 employees working in the city limits of Saint John, 41 of the employees chose to live in communities outside of the City.

# 1. INTRODUCTION

## 1.1 Background

The Saint John Region is a key contributor to the provincial economy by generating 20 to 25% of provincial GDP<sup>1</sup>. In the past ten (10) years approximately 28% of the provinces non-residential construction has taken place in Saint John<sup>1</sup>. Neighbouring communities are highly dependent on Saint John for access to employment and a wide range of services and amenities.

The Saint John Region local governments as well as Local Service Districts have shared goals for economic growth and cost-effective service delivery. The Greater Saint John Regional Task Force is examining opportunities for improvement to shared service delivery and equitable cost-sharing mechanisms. This will enhance the sustainability of Greater Saint John financial performance and community development. There is a pressing need for economic analysis to support on-going discussions and engage key audiences in developing long-term strategies.

## 1.2 Purpose and scope

This report responds to two key information needs set out by the Regional Task Force, specifically:

- **Benchmarking** - to compare service delivery in Saint John versus similar municipalities elsewhere in Canada including:
  - Municipalities - Saint John's NL, Sarnia ON, Prince George BC, Sault Ste Marie ON, Greater Sudbury ON, Cape Breton Regional Municipality NS, and Thunder Bay ON; and
  - Services – recreation, protective services, road maintenance, winter storm management;
- **Cost analysis** – of servicing non-resident use of:
  - Roads for commuting into Saint John;
  - Recreation facilities; and
  - Other services or amenities.

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<sup>1</sup> Government of New Brunswick. 2019. Sustaining Saint John: A Three-Part Plan.

## 2. RESULTS

### 2.1 Benchmarking

The demographic and economic context for benchmarking is important to consider before examining the specific service area metrics. The following highlights are based on Statistics Canada 2016 Census records for seven (7) other municipalities.

As the population and number of households grows in a community there is a greater financial ability to support more infrastructure and programs.

- ❑ **Population** – Saint John has the smallest population in the benchmarking group by about 11,000 behind Sault St. Marie, and the largest is St. John's at 212,501.
- ❑ **Households** – Saint John also has the fewest households at 34,070, while St. John's has the most at 85,015.

Higher household incomes drive investment in properties, and property values determine the tax base supporting municipal revenues.

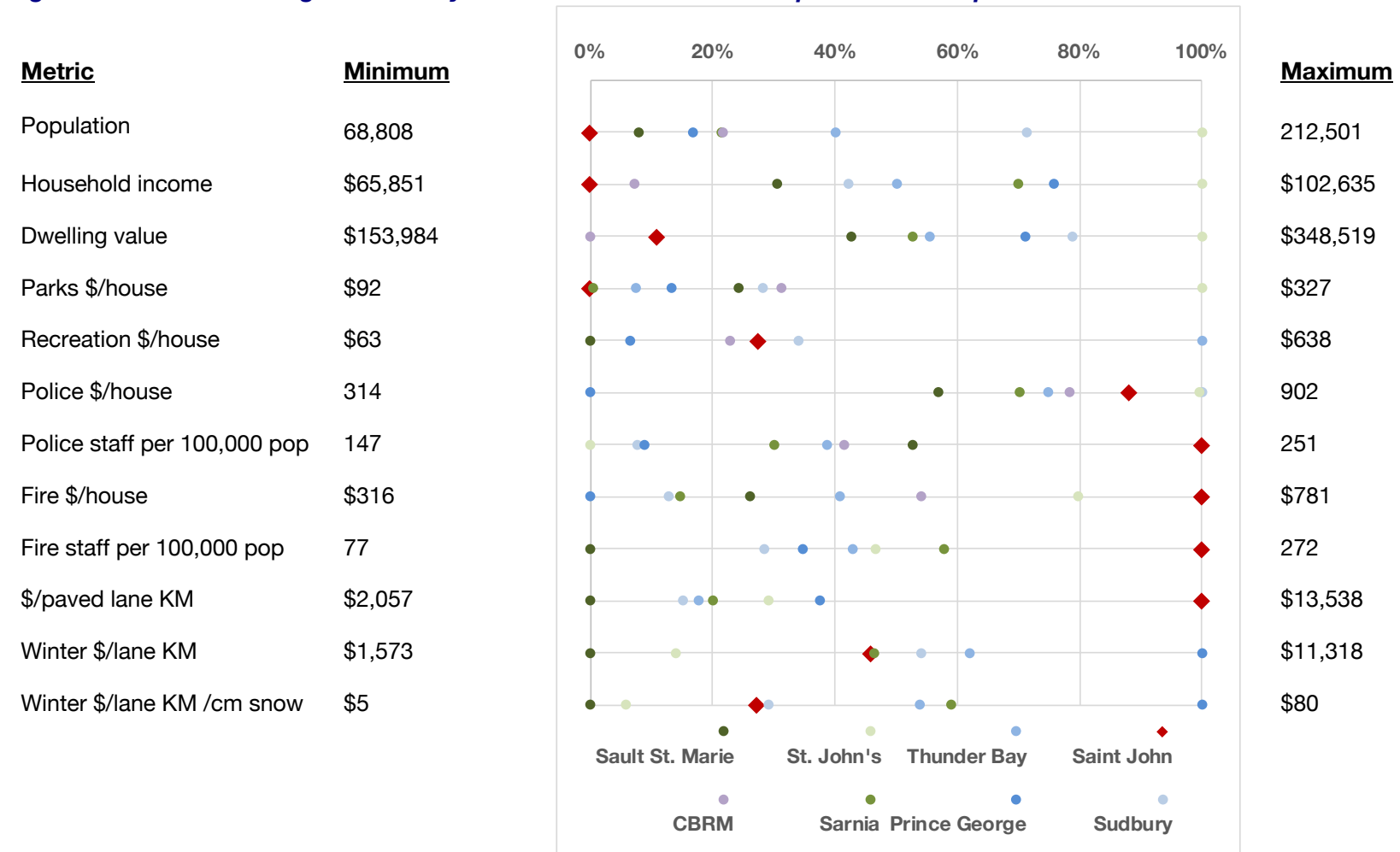
- ❑ **Household income** – Saint John has the lowest average household income at \$65,851, and St. John's again tops the list at \$102,635.
- ❑ **Residential property values** – The average value of private dwellings is lowest in Cape Breton Regional Municipality (CBRM) at \$153,984, Saint John is second lowest at \$175,139, and the highest is St. John's at \$348,519.

Poverty and unemployment are among the key socio-economic determinants of demand for support services and interactions with the criminal justice system.

- ❑ **Poverty** – The percentage of population below the low income cutoff after tax (LICO-AT) is highest in Saint John (13.0%), while Sarnia has the lowest at 7.1%.
- ❑ **Unemployment** – Saint John has the third highest unemployment rate at 9.6%, behind Sault St. Marie (10.3%), and CBRM (17.4%).

The next chart shows how Saint John compares to other municipalities in Canada, based on measures shown in the table that follows. Key observations are summarized after the chart and table. Saint John data are provided by the City except where Statistics Canada sources are noted. Sources for all other municipalities are listed in the benchmarking references section of this report (Section 3).

**Figure 2.1: Benchmarking chart of key service metrics across comparable municipalities in Canada**



*Note: Minimums and maximums are the lowest and highest values across municipalities, and the markers represent each municipality according to their position between the minimum and maximum. Some municipalities do not have measures for certain metrics so no marker is shown.*

**Table 2.1: Benchmarking values for key service metrics across comparable municipalities in Canada**

	Saint John NB	Sudbury ON	Thunder Bay ON	Prince George BC	St. John's NL	Sarnia ON	Sault St. Marie ON	CBRM NS
<b>Demographics</b>								
Pop. (July 1, 2018)	68,808	171,471	126,481	92,792	212,501	99,625	80,031	100,000
No. households <sup>1</sup>	34,070	70,445	52,545	35,095	85,015	28,330	34,530	41,675
Household income <sup>1</sup>	65,851	81,378	84,321	93,755	102,635	91,592	77,048	68,465
% Low income pop <sup>1</sup>	13.0%	10.7%	7.9%	7.6%	7.5%	7.1%	7.9%	8.3%
House values <sup>1</sup>	175,139	307,296	261,881	292,077	348,519	256,520	236,729	153,984
Unemployment rate <sup>1</sup>	9.6%	9.0%	7.7%	9.1%	8.6%	8.8%	10.3%	17.4%
<b>Parks and Recreation</b>								
Parks cost	3,141,463	11,130,183	8,670,000	3,831,108	10,453,750	9,256,213	3,207,696	6,207,224
Recreation cost	7,525,146	18,225,889	10,232,000	22,378,000	8,511,161	-	6,124,256	2,639,463
Parks cost per cap.	46	65	69	41	49	93	40	62
Recreation cost per cap.	109	106	81	241	40	-	77	26
Parks cost per house	92	158	165	109	123	327	93	149
Recreation cost per house	221	259	195	638	100	-	177	63
<b>Police</b>								
Total cost	28,344,333	63,548,588	40,706,000	26,438,856	26,673,442	25,491,171	25,096,639	26,994,915
Cost per capita	412	371	322	285	126	256	314	270
Cost per household	832	902	775	753	314	900	727	648
Staff per 100,000 pop <sup>2</sup>	251	155	190	188	157	147	179	202
Number of staff	173	266	241	174	333	147	143	202

1. Statistics Canada 2016 Census

2. Statistics Canada Police personnel and selected crime statistics, municipal police services, 2019.

Note: Some values are not shown since data is not readily available from all municipalities.



(Table 2.1 continued)	Saint John NB	Sudbury ON	Thunder Bay ON	Prince George BC	St. John's NL	Sarnia ON	Sault St. Marie ON	CBRM NS
<b>Fire</b>								
Total cost	26,604,450	26,387,749	29,796,000	17,724,328	26,822,880	19,440,769	13,247,554	18,201,994
Cost per capita	387	154	236	191	126	195	166	182
Cost per house	781	375	567	505	316	686	384	437
Staff per 100,000 pop.	272	77	170	116	94	126	157	-
Number of staff	187	132	215	108	200	126	126	-
Cost per service vehicle-hr	296	273	252	-	-	-	-	-
<b>Road Maintenance</b>								
Total cost	15,866,638	5,936,695	15,684,000	1,768,928	7,089,901	3,631,473	3,296,959	-
Cost per paved lane KM	13,538	2,057	9,270	2,407	5,064	3,947	2,700	-
<b>Winter Management</b>								
Total cost	6,101,606	17,648,624	4,121,480	5,147,929	15,844,539	1,447,578	6,420,589	-
Cost per lane KM	5,206	6,115	2,436	7,004	11,318	1,573	5,258	-
Annual snowfall (cm)	240	263	163	142	335	112	321	283
Cost per lane km per cm snow	21.7	23.3	14.9	49.3	33.8	14.0	16.4	-

Summary observations:

- ❑ **Parks and recreation** – Saint John operating costs per capita for parks are third lowest in the group, and the lowest on a per household basis. Saint John recreation operating costs per capita are second highest in the group, and in the middle of the group on a per household basis.
- ❑ **Police** – The number of Saint John police per 100,000 population is the highest in the group, cost per household is second highest, and cost per capita is highest in the group (note: pension costs may be included in some cities, but not others).
- ❑ **Fire** – Saint John has the highest cost per capita, per household, and per in-service vehicle hour (compared to two others). Heavy industry fire services costs in Saint John are discussed further in this report.
- ❑ **Road maintenance** – Saint John cost of paved road maintenance per lane kilometer is the highest of the group.
- ❑ **Winter storm management** – Saint John costs per lane kilometer are in the middle of the group, and third lowest when snowfall amounts are taken into consideration.

## 2.2 Cost analysis

The city is struggling to support operational costs while many enjoy a short commute from outside communities where property tax rates are lower. Higher average household incomes and property values are also common outside the city, but exurban commuters do not help pay for the city services they enjoy every day. Sound familiar? This actually describes Winnipeg according to a publication just released in October, 2019<sup>2</sup>. Winnipeg is also facing uncertain provincial funding support, yet it contributes to 70% of the province's gross domestic product. These challenges are not unique to Saint John, in fact this is a common problem for cities where development extends to the municipal boundary and residential growth has accelerated just beyond the border.

The following analysis of costs not paid by residents from outside Saint John focuses on three areas: 1) road related costs, 2) parks and recreation costs, 3) police and fire services, and 4) regional economic development. The approach aims to be conservative since the full costs of these three service areas are not captured, and other City of Saint John services are not included. The summary of total shares by cost area are shown in the table below and the explanations for each calculation follow.

**Table 2.2: Total share of operational costs for residents outside Saint John**

Service	Costs
Road costs	\$3,753,352
Parks and recreation costs	\$1,760,919
Police, fire, and other costs	\$6,781,038
<b>Total</b>	<b>\$12,295,309</b>

### Road costs

Commuters into Saint John rely on the road network maintained by the city including: road maintenance, traffic management, snow removal, re-paving, cleaning, stormwater management, and sidewalks. The following table shows the 2019 approved operating budget for road related costs, cost-recovery, and net costs amounting to just over \$19 million.

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<sup>2</sup> Riley Black. 2019. The high cost of free-riding and how we fix it: Examining the implementation of commuter fees in Winnipeg. Canadian Centre for Policy Alternatives Manitoba.

**Table 2.3: Road-related costs in Saint John 2019 budget**

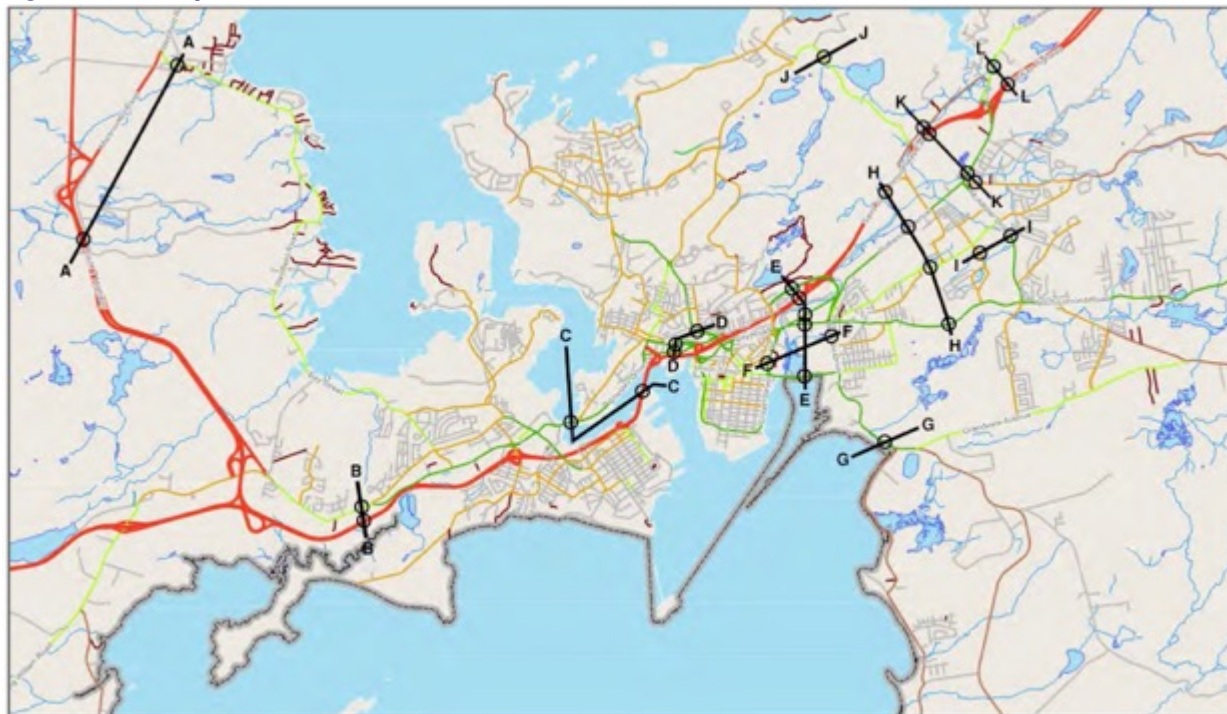
Service	Costs	Recovery	Net Costs
Snow control on streets	\$ 5,781,383	-	\$ 5,781,383
Street cleaning	\$ 1,670,600	-	\$ 1,670,600
Street maintenance	\$ 6,122,629	250,000	\$ 5,872,629
Snow control on sidewalks	\$ 1,102,170	-	\$ 1,102,170
Sidewalk maintenance	\$ 705,582	-	\$ 705,582
Traffic management	\$ 2,292,512	\$ 368,000	\$ 1,924,512
Stormwater management	\$ 3,570,935	-	\$ 3,570,935
Asphalt renewal <sup>1</sup>	\$ -	1,500,000	-\$ 1,500,000
Temporary pension amts	\$ 819,279		\$ 819,279
<b>Total</b>	<b>\$ 22,065,090</b>	<b>\$ 2,118,000</b>	<b>\$ 19,947,090</b>

Source: Saint John 2019 Approved Operating Budget

1. Average 2016-2019 capital budget.

In 2014, traffic volumes were measured at locations that capture Saint John inflows and outflows of traffic at weekday peak morning and afternoon times (e.g. commuters).

**Figure 2.2: Map of Saint John traffic count sites**



Counts at locations D-D, E-E, and F-F shown in the map above are not included to be cautious about vehicles moving within the city, and the inbound morning traffic amounts to 21,375 vehicles, while outbound traffic totals 13,338. Statistics Canada reports an average of about 1.30 passengers per vehicle for weekday commuters in

Saint John<sup>3</sup>. This yields a potential of 27,865 inbound passengers just at the peak period (not including mid-day, evening, or weekend traffic). These are not all necessarily commuters since some may be on the move for work, trips to school, shopping, and other purposes.

The 2017 Phase I MoveSJ report focuses on commuter travel patterns for inbound and outbound vehicles according to north, south, east, and west locations inside and outside the city (see table below)<sup>4</sup>. The survey indicates about 15,700 people come from outside the city for work. This is similar to Statistics Canada Census 2016<sup>5</sup> commuting statistics for Saint John and neighbouring communities of Rothesay, Quispamsis, Hampton, Grand Bay-Westfield, Saint Martins, Simonds, and Musquash. The daily number of weekday commuters to Saint John is between 13,625 and 17,695.

**Table 2.4: Household survey results for inbound travel to Saint John (2015)**

External	SJ North	SJ East	SJ South	SJ West	Total
Northeast	2,310	2,800	4,700	1,110	10,920
Southeast	400	920	180	70	1570
Southwest	200	180	350	310	1040
Northwest	670	420	490	590	2170
<b>Total</b>	<b>3,580</b>	<b>4,320</b>	<b>5,720</b>	<b>2,080</b>	<b>15,700</b>

The survey also found for residents outside the city that 27.2% of their trips are for work, 3.9% are for school, and 68.9% are for other purposes. Although some trips for school may take them into Saint John, these are mainly assumed to be within their local community. However, the other trips would include shopping, appointments, events, and other activities in Saint John. Taking the ratio of “other trips” to “work trips” (68.9% versus 27.2%) another 2.53 trips are into Saint John are expected for every commuting trip to work. The other trips are not necessarily by commuters, and the ratio simply applies to general travellers from outside the city. This indicates about 55,500 trips are taken into the city per weekday.

The household survey found the total daily number of trips (all types) by Saint John residents was 239,560. Therefore the combined total trips was about 295,100, where 19% originate outside the city, and 81% are by Saint John residents. Applying the 19% share to the road related costs results in a \$3.8 million estimate for shared costs.

### **Parks and recreation costs**

Parks and recreation costs focus on the operational costs for arenas, sportsfields, and parks (see table below). The share of arena and sportsfield users coming from outside

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<sup>3</sup> Statistics Canada. 2016 Census of Population, Statistics Canada Catalogue no. 98-400-X2016327.

<sup>4</sup> IBI Group. 2017. Move SJ Final Report - City of Saint John Transportation Strategic Plan: Phase I.

<sup>5</sup> Statistics Canada. Census 2016 Population Profile. Catalogue no. 98-316-X2016001.

the city is shown in the table below and used to calculate a corresponding share of costs. There is no tracking for use of parks so the lower of the two tracking-based shares (31%) is applied to park costs. The total estimated share of costs is \$1.8 million for those coming from outside the city. City of Saint John temporary special pension costs are not included in these estimates.

**Table 2.5: Parks and recreation-related costs in Saint John 2019 budget**

Service	Costs	Recovery	Net Costs	% Share	Cost Share
Arenas	\$1,661,801	\$681,850	\$979,951	31%	\$308,063
Sportfields	\$1,429,986	\$152,758	\$1,277,228	34%	\$435,799
Parks	\$2,769,755	-	\$2,769,755	31%	\$870,715
Temp. pension	\$457,320		\$457,320	32%	\$146,342
<b>Total</b>	<b>\$6,318,862</b>	<b>\$834,608</b>	<b>\$5,484,254</b>	<b>32%</b>	<b>\$1,760,919</b>

### Police, fire and other services

Saint John must provide adequate public safety in the form of police, fire and emergency preparedness capacity for everyone in the municipality regardless of their origin. This includes capabilities to respond to incidents at workplaces, throughout the road network, and other areas of the city.

Saint John also maintains infrastructure and operations for facilities such as Market Square that support regional events and activities. The Trade and Convention Centre along with attractions for cruise ship visitors and other tourists all contribute to regional business development and enjoyment by residents from inside and outside of Saint John.

**Table 2.6: Police, fire, and other costs in Saint John 2019 budget**

Service	Costs	Recovery	Net Costs
Police Services	\$28,765,324	\$320,000	\$28,445,324
Fire Services	\$27,425,632	\$82,600	\$27,243,032
Market Square Costs	\$2,182,993		\$2,182,993
Solid Waste Management	\$3,722,605		\$3,722,605
<b>Total</b>	<b>\$62,096,554</b>	<b>\$502,600</b>	<b>\$61,593,954</b>

Estimating a share of costs for those coming into the city starts with police and fire services costs. The following does not include City of Saint John temporary special pension costs. The 2019 local government statistics for New Brunswick<sup>6</sup> show these costs for Saint John, Quispamsis, Rothesay, Grand Bay-Westfield, and Hampton (table below). Using the municipal tax base in each community as the basis for allocating the total costs, the communities outside Saint John move from paying \$7.6 million for police to paying \$12.7 million. Likewise for fire services the communities outside move

<sup>6</sup> New Brunswick Environment and Local Government. 2019. Local Government Statistics for New Brunswick.

from paying \$6.9 million to \$12.0 million. The differences for police (\$5.1 million) and fire (\$5.2 million) combine for a total contribution of \$10.3 million.

**Table 2.7: Shared police and fire costs based on municipal tax base (2019)**

Service	Mun tax base	Actual police	Shared police	Actual fire	Shared fire
Saint John	\$6,925,108,650	\$28,445,324	\$23,299,923	\$27,243,032	\$22,059,978
Quispamsis	\$1,748,060,900	\$3,689,260	\$5,881,451	\$3,689,079	\$5,568,459
Rothsay	\$1,293,791,950	\$2,429,920	\$4,353,037	\$2,105,864	\$4,121,383
Grand Bay-Westfield	\$375,785,600	\$697,794	\$1,264,352	\$682,837	\$1,197,067
Hampton	\$365,177,400	\$765,125	\$1,228,660	\$389,350	\$1,163,275
<b>Total</b>	<b>\$10,707,924,500</b>	<b>\$36,027,423</b>	<b>\$36,027,423</b>	<b>\$34,110,162</b>	<b>\$34,110,162</b>

This approach would leave outside communities contributing to 18% of Saint John police service and 19% of fire service. A proportional share of 18% could then be applied to the costs of Market Square and waste collection to determine contributions of \$415,000 and \$707,000 respectively. The total contribution to costs from outside communities would be \$11.4 million.

However, considering that residents from outside communities spend less time in Saint John and travel there for work and other activities, the measure of traffic inflows from the road cost analysis may be applicable. Recall from the household survey that the combined total trips of 295,100 in Saint John are comprised of 19% originating from outside the city, and 81% from Saint John residents. Applying the 19% rate to the total contribution figure of \$11.4 million reduces this to about \$2.2 million. The \$6.8 million midpoint of the \$2.2 million and \$11.4 million estimates would be considered reasonable.

### Regional economic development

The City of Saint John is actively involved in strategic operational and capital investments that are intended to not only generate economic returns for the City, but the entire region. In addition to an annual investment of \$2.3 million into three unique economic development agencies, the City also supports economic development through in-house employees and programs (\$600,000 annually) focused on economic development coordination and growth (table below). The City houses a population growth function, which seeks to address the region's weak demographic growth. While the majority of newcomers choose to live in the City of Saint John, approximately 20% of all newcomers to the region choose to live in towns that fall outside of the City. The City has also created a Growth Reserve Fund (\$350,000 annually), which was established to respond to unforeseen economic opportunities and challenges. All City of Saint John investments in regional economic development initiatives is estimated at \$2.9 million/annually.



**Table 2.8: City of Saint John investments in regional development, 2018**

Economic Development Functions	2018 Investments (GBW, Quispamsis, Rothesay, St. Martins, Hampton)	2018 Investment (Saint John)
Enterprise Saint John	\$225,210	\$475,000
Develop Saint John	n/a	\$821,002
Discover Saint John	\$12,000	\$1,033,495
Growth Reserve	n/a	\$350,000
City staff supporting growth	n/a	\$250,000
<b>TOTAL:</b>	<b>\$237,210</b>	<b>\$2,929,497</b>

Source: City of Saint John

The City of Saint John also works closely with Port Saint John to host cruise ships, coordinate events, and make use of City infrastructure. The port brought 175,000 cruise ship passengers<sup>7</sup> to the city in 2018. An estimated \$93 per passenger is spent during a visit for a total of \$14.9 million<sup>8</sup> annually. Port Saint John confirmed cruise bookings for over 200,000 passengers in 2019 and 2020. Passengers book day excursions through cruise tour operators and explore Saint John and surrounding areas as far as Hopewell Rocks, Saint Andrews, and St. Stephens. Local businesses capture passenger spending on recreation, food, local transportation, and souvenirs.

Regional communities outside of Saint John invest a combined total of \$237,210 annually into economic development, through their combined \$225,210 investment into Economic Development Greater Saint John as well as a minor community partnership investment into Discover Saint John (the towns of Rothesay, Quispamsis, Grand Bay Westfield and Hampton each pay \$3,000 into the community partnership annually).

The three City-funded economic development agencies are:

**Economic Development Greater Saint John (EDGSJ)** is the economic development agency for Greater Saint John, which encompasses the communities of Grand Bay-Westfield, Saint John, Rothesay, Quispamsis, and St. Martins. The agency focuses on four economic growth areas: 1) workforce development, 2) business investment and innovation, 3) entrepreneur development, and 4) marketing greater Saint John. Specific goals and targets for 2018 involve supporting 37 new start-up businesses and 821 new job hires (896 announced). Business start-up and job hiring benefits extend beyond Saint John. The City provides \$475,000 of the \$700,000 in municipal funding, combined with investments from the Province (\$273,000), strategic partners and private sector (\$246,000), and project revenues (\$990,000). Employment growth plays a critical role in the economic development of the region, especially considering that for every 100

<sup>7</sup> Port Saint John, 2019.

<sup>8</sup> Business Research and Economic Associates, 2016. Economic Impacts of the Cruise Industry in Canada. (online: <https://clia-nwc.com/>)

employees working in the City limits of Saint John, 41 of the employees chose to live in communities outside of the City<sup>9</sup>.

**Discover Saint John** (Discover SJ) is the Destination Marketing Organization for Saint John, and while it promotes the region as a travel destination it also takes a lead role in organizing festivals and events that bring many visitors to the region. The agency successfully hosted the 2018 World Under-17 Hockey Challenge in Saint John and Quispamsis<sup>10</sup>. Discover SJ also aims to host the 2021 Acadian Games<sup>11</sup>. The attraction of visitors leads to spending beyond the city for accommodation, food, entertainment, transport and fuel, and many other retail purchases. City of Saint John provided \$1,033,000 towards the \$1.9 million in Discover SJ costs for 2018, the balance is largely funded by the Hotel Association, event revenues, and sponsorships.

**Develop Saint John (Develop SJ)** is the strategic real estate agency entirely funded by the City of Saint John (\$821,000 annually). The agencies 2018 goal was to generate an increase of \$75 million in new tax base growth from the City. The agency supports residential, commercial, institutional and industrial developments, which supports tax base growth for Saint John, but also delivers short-term employment opportunities for the construction of the projects as well as longer-term employment opportunities as a result of the companies that move into the developments, which are filled by residents from across the region.

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<sup>9</sup> Statistics Canada, 2016. 2016 Census: Place of Work. Catalogue Number 98-400-X2016325.

<sup>10</sup> Hockey Canada, 2017. Hockey Canada Selects Saint John, Quispamsis as Co-Hosts of the 2018 World Under-17 Hockey Challenge. (online: <https://www.hockeycanada.ca/en-ca/news/2018-wu17hc-returns-to-new-brunswick>)

<sup>11</sup> CBC News, 2017. Saint John looks to host the 2021 Acadian Games. (online: <https://www.cbc.ca/news/canada/new-brunswick/saint-john-looks-to-host-2021-acadian-games-1.4157831>)



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# *FINAL REPORT*

## **Greater Saint John Regional Task Force Analysis**

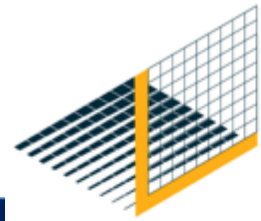
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## EXECUTIVE SUMMARY

### Introduction

The Saint John Region local governments as well as Local Service Districts have shared goals for economic growth and cost-effective service delivery. The Greater Saint John Regional Task Force is examining opportunities for improvement to shared service delivery and equitable cost-sharing mechanisms. This will enhance the sustainability of Greater Saint John financial performance and community development.

### Purpose and scope

This report responds to a key information need set out by the Regional Task Force, specifically:

- ❑ **Industry cost-recovery analysis** – comparing industrial property costs for protective services, road maintenance, and adverse effects on municipal revenues, versus the municipal tax revenues generated from the industrial tax base.

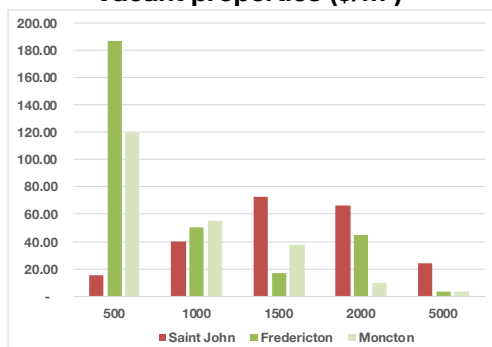
Estimates are required for this analysis therefore sources and methods are provided throughout for transparency. A conservative approach to avoid overstating the industrial cost estimates has been taken throughout.

### Cost-recovery analysis results

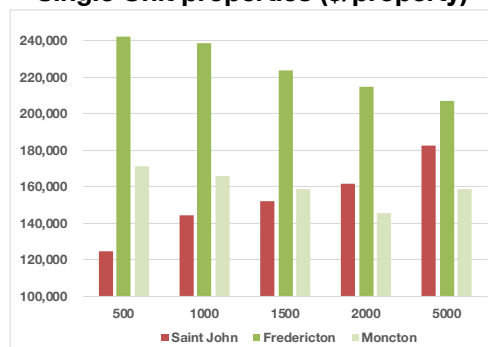
Saint John plays a unique role in hosting a number of heavy industrial properties that, although they are important contributors to the regional and provincial economies, they also contribute to road costs, emergency response costs, and reduced values for nearby residential properties.

- ❑ **Heavy trucking** - is recognized for having a disproportional impact on public costs related to roads and traffic management. The costs related to heavy industry is estimated at \$2,480,625 per year.
- ❑ **Fire services** - incur some added costs as SJEMO plans and prepares for all emergencies in the city and an estimated \$285,000 (40%) of effort focuses on industrial hazards. About 5.2% of the Fire Department in-service vehicle hours are for responses to industrial incidents (2018), with an associated cost of about \$1.4 million. The combined costs of these fire service items is about \$1.7 million.
- ❑ **Properties values** – in most cities values are highest near the centre and values decline moving away from the centre. In Saint John residential property values are lowest near the city centre and rise moving outwards and beyond the city border. The figures below show Saint John property values (red bars rising to the right) versus Moncton and Fredericton property values (green bars declining to the right) indicating opposite patterns moving out from the city centres.

**Property values in Saint John, Fredericton, and Moncton by distance from centre**  
**Vacant properties (\$/m<sup>2</sup>)**



**Single Unit properties (\$/property)**



This results in lost annual property tax revenues for the City of Saint John that are estimated at \$32 million per year. Some downtown residential properties have been converted to vacant land resulting in a near total loss of tax revenue to the City. Note that this does not include all properties affected and represents a lower bound estimate potential missed tax revenues. Heavy industry properties on the other hand contribute about \$12 million in annual tax revenue.



# 1. INTRODUCTION

## 1.1 Background

The Saint John Region is a key contributor to the provincial economy by generating 20 to 25% of provincial GDP<sup>1</sup>. In the past ten (10) years approximately 28% of the provinces non-residential construction has taken place in Saint John<sup>1</sup>.

The Greater Saint John Regional Task Force is examining opportunities for improvement to shared service delivery and equitable cost-sharing mechanisms. This will enhance the sustainability of Greater Saint John financial performance and community development. There is a pressing need for economic analysis to support on-going discussions and engage key audiences in developing long-term strategies.

## 1.2 Purpose and scope

This report responds to a key information need set out by the Regional Task Force, specifically:

- **Cost-recovery analysis** – of industrial properties and adjacent properties concerning:
  - Benefits – municipal taxes generated directly or indirectly from the industrial tax base; and
  - Costs – municipal costs to service industrial properties (e.g. protective services, road maintenance) and adverse effects on municipal tax revenues.

---

<sup>1</sup> Government of New Brunswick. 2019. Sustaining Saint John: A Three-Part Plan.

## 2. RESULTS

### 2.1 Heavy industry cost-recovery analysis

Saint John plays a unique role in hosting a number of heavy industrial properties that, although they are important contributors to the regional and provincial economies, they also contribute to direct operational costs and lost revenues for the municipality. Appendix B contains maps and a table indicating the main heavy industry properties in Saint John.

- ❑ **Direct costs** - include added demands for emergency preparedness and response as well as heavy trucking on roads. This affects city planning and design, capital spending, and operations.
- ❑ **Lost revenues** – include lost tax revenue from residential properties near industrial sites that would normally have increased assessment values.
- ❑ **Benefits** – are the property tax revenues “recovered” from industrial properties annually.

#### Direct costs – heavy trucking

Heavy trucking impacts on communities and infrastructure have been researched extensively in North America due to three main developments: 1) truck designs are trending toward larger sizes including double and triple trailer combinations, 2) technologies to charge vehicle fees and tolls (e.g. licence plate cameras) have advanced, and 3) jurisdictions are seeking fair funding models to address aging infrastructure and deferred maintenance.

Heavy trucking is recognized for having a disproportional impact on public costs related to roads and traffic management, and these include but are not limited to: 1) higher cost design and construction elements to support heavy vehicles, 2) increased deterioration of roads and bridges, 3) more severe accidents, and 4) increased emissions and noise affecting population health. The following focuses primarily on the first two considerations as these have direct linkages to municipal road budgets.

Before proceeding it is important to recognize that many factors determine the specific impacts of heavy trucking in particular locations including: 1) road design and construction that determines cost and suitability for heavy trucks, 2) volume of heavy truck traffic, 3) axel weights and the distribution of total weight across axels, 4) length of truck and axel spacing, 5) speed of travel, 6) age of the road and state of disrepair (e.g. bumps, rutting and cracking), 7) climatic conditions and seasonal variation, 8) frequency and

type of bridge crossing since costs are higher for bridges than roads, and 9) signage, safety measures, and driver training that help to reduce truck speeds, inappropriate use of vulnerable roads, and accidents<sup>2</sup>.

Some truck traffic estimates are available such as a reported 270 trucks per day on Harding Street or Ready Street<sup>3</sup>, and data from City of Saint John traffic counters at seven locations<sup>4</sup>. The data provided by the City combines for a total of 5,514 trips per day, but this does not cover the whole city and includes buses and some smaller trucks that are not of interest. There is also a challenge determining which truck traffic originates or terminates in Saint John versus those passing through to/from outside communities or to/from Nova Scotia via the ferry. This is important since the analysis focuses on the potential role and responsibility of industrial property owners of Saint John in supporting a fair share of municipal road costs.

The approach taken here builds estimates of truck activity starting with truck occupation data that is specific to Saint John and available from Statistics Canada (first column in table below). The methodology to build estimates of truck related costs is explained in notes below the table. In essence, the number of truck drivers employed in Saint John is augmented by 50% to account for residents and trucking operations outside Saint John that serve local industry. An estimated number of trips and trip distances are combined across industry sectors to determine the number of daily and annual kilometres travelled on Saint John roads. A cost of \$0.30 per kilometre is based on sources and tables that follow, and this yields an annual cost of \$5.6 million for locally-based trucking in Saint John.

Key conclusion:

- The portion of costs related to heavy industry includes at least: mining, oil and gas, manufacturing, and most (75%) of the transport and warehouse categories, for a total of \$2,480,625 per year.

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<sup>2</sup> Luskin, D., and M. Walton. 2001. Effects of truck size and weights on highway infrastructure and operations: A synthesis report.

<sup>3</sup> CBC. 2017. Saint John truck traffic exhausts patience: 'They think this is the Indy 500' (online: <https://www.cbc.ca/news/canada/new-brunswick/saint-john-truck-traffic-1.4038237>).

<sup>4</sup> 24-hour counts except where noted at seven locations: Bayside Dr. (at Causeway), Chelsey Dr., City Road (at Garden), Fairville and Catherwood (6hr peak), Simms corner (6hr peak), Loch Lomond and Bayside, and Loch Lomond (at MacDonald).

**Table 2.1: Saint John road costs attributable to locally-based trucking, 2019**

	1	2	3	4	5	6	7	8	9
	Workers	Outside SJ	Trips/truck	Total trips	Distance	Km/day	Km/year	\$/km	Annual \$
Mining, oil and gas	20	50%	2	60	15	900	225,000	0.3	67,500
Utilities	10	50%	2	30	15	450	112,500	0.3	33,750
Construction	85	50%	4	510	15	7,650	1,912,500	0.3	573,750
Manufacturing	55	50%	2	165	15	2,475	618,750	0.3	185,625
Wholesale	50	50%	4	300	15	4,500	1,125,000	0.3	337,500
Retail	50	50%	4	300	15	4,500	1,125,000	0.3	337,500
Transport & warehouse	440	50%	4	2,640	15	39,600	9,900,000	0.3	2,970,000
Waste & remediation	40	50%	2	120	100	12,000	3,000,000	0.3	900,000
Other	65	50%	2	195	15	2,925	731,250	0.3	219,375
<b>Total</b>	<b>815</b>			<b>4,320</b>		<b>75,000</b>	<b>18,750,000</b>		<b>5,625,000</b>

Notes by numbered column:

1. Workers are StatCan Census 2016 employed transport truck drivers (NOC 7511) that reside in Saint John;
2. Outside SJ represents additional workers that commute to the city, and others with a place of work outside the city that provide trucking service to businesses in Saint John;
3. Trips per truck reflect return trips outside the city (2) and twice daily return trips inside or outside the city (4);
4. Add column 2 % to column 1 and multiply the total by column 3 resulting in total trips;
5. The average distance from four main industrial properties to the city border along trucking routes is 15 kms, except waste and remediation activities that tend to remain within the city and complete day-long routes;
6. Multiply total trips (4) by distance (5) to obtain the daily distance (6);
7. Multiply the daily distance by 250 annual work days to obtain annual distance (7);
8. The cost per km of \$0.30 is from multiple sources (see below); and
9. Multiply annual distance (7) by cost per kilometer (8) to obtain annual costs (9).

To determine costs attributable to trucking it is helpful to examine fees currently charged on toll highways in Canada, along with a comprehensive study by the U.S. Department of Transportation Federal Highway Administration (see tables below). As expected, the tolls show that truck costs (\$6.43 per km for 4 axels) are very high on the Confederation Bridge owing to its high construction and operation costs. Tolls on the Cobequid Pass in Nova Scotia are the lowest (\$0.31 per km for 4 axels) on a rural road that is relatively simple in design. The 407 Express Toll Route in Ontario represents an urban highway with intermediate costs (\$1.02 to \$1.53 per km for single- and multi-trucks). The estimate used in this analysis is toward the low end (Cobequid Pass) and is likely conservative with more discussion below.

**Table 2.2: Car and truck fees charged on toll roads in Canada, 2019**

<b>Tolls (\$)</b>	<b>Base</b>	<b>Per axel 3+</b>	<b>\$/km</b>
<b>PEI Bridge (10km)<sup>5</sup></b>			
Car	47.75		4.78
Truck	47.75	8.25	6.43
<b>NS Cobequid Pass (39km)<sup>6</sup></b>			
Car	4		0.10
Truck	6	3	0.31
<b>ON 407 ETR (16km)<sup>7</sup></b>			
Car	8.15		0.51
Truck heavy single	16.29		1.02
Truck heavy multi	24.44		1.53

A second key source is the 2000 comprehensive study by the U.S. Department of Transportation Federal Highway Administration<sup>8</sup>. The table below starts with the U.S. costs per mile for different vehicle classes, and these values are converted to 2019 Canadian dollars per kilometre. Two sets of costs are shown, namely: 1) operations and maintenance costs for highways, and 2) environment costs that are borne by other road users and people near highways. The environmental costs are termed “externalities” since they are not borne directly by road users. The operations costs are certainly similar to the \$0.30 estimate applied in Saint John, for example single unit trucks under and over 50,000 lbs cost \$0.18 to \$0.61 per km, and combination trucks in the 70,000 to 100,000 lb range cost \$0.18 to \$0.52. The combination trucks have lower costs despite their higher weights since they distribute this over more axels and, although not shown here, these trucks make fewer trips by carrying larger loads (further reducing their impact).

<sup>5</sup> Confederation Bridge. 2019. Tolls and fees (online: <https://www.confederationbridge.com/tolls-fees>)

<sup>6</sup> Highway 104 Cobequid Pass. 2019. Cash payment fare structure by vehicle classification (online: <https://www.cobequidpass.com/COB/About/TollsAndFees.aspx>)

<sup>7</sup> 407 Express Toll Route. 2019. Toll calculator (online: <https://www.407etr.com/en/tolls/tolls/toll-calculator.html>)

<sup>8</sup> U.S. Department of Transportation Federal Highway Administration. 2000. Addendum to the 1997 Federal Highway Cost Allocation Study Final Report (online: <https://www.fhwa.dot.gov/policy/hcas/addendum.cfm>)

**Table 2.3: Converted<sup>1</sup> U.S. federal cost responsibility by vehicle class under the Transportation Equity Act program**

	Operations			Environment <sup>2</sup>			Total
	US \$ per mile	CAD \$/km	2019 \$/km	US \$ per mile	CAD \$/km	2019 \$/km	
Passenger vehicles							
Autos	0.01	0.01	0.03	0.03	0.02	0.10	0.12
Light duty trucks	0.01	0.01	0.03	0.03	0.02	0.10	0.12
Buses	0.03	0.03	0.11	0.03	0.02	0.10	0.21
Single unit trucks							
<25,000 lbs	0.02	0.02	0.07	0.34	0.29	1.16	1.23
<50,000 lbs	0.05	0.05	0.18	0.58	0.48	1.94	2.13
>50,000 lbs	0.18	0.15	0.61	0.58	0.48	1.94	2.55
Combination trucks							
<50,000 lbs	0.03	0.03	0.12	0.37	0.31	1.25	1.37
<70,000 lbs	0.05	0.04	0.18	0.37	0.31	1.25	1.43
<75,000 lbs	0.08	0.06	0.26	0.37	0.31	1.25	1.51
<80,000 lbs	0.09	0.07	0.29	0.70	0.58	2.34	2.63
<100,000 lbs	0.15	0.13	0.52	0.70	0.58	2.34	2.86
>100,000 lbs	0.20	0.17	0.68	0.70	0.58	2.34	3.02

1. Conversion of U.S. costs in 2000 to Canadian costs in 2019 is based on: ratio of kilometres to miles, Bank of Canada currency exchange rates, and StatCan consumer price index (Canada all items).

2. Environment costs determined by U.S. Department of Transportation include: congestion, accident, air pollution, and noise-related costs borne by others (externalities).

The value of \$0.30 per truck-km used in this report is certainly at the low end considering higher costs in an urban setting, higher costs on roads not designed to support trucks (some areas of Saint John), and externalities that could be included. Some externalities are addressed in the analysis as they are captured in the effects on residential property values, however this is only a partial treatment of the issues.

### **Direct costs – fire protection services**

The Saint John Fire Department was not originally designed to meet the challenges of today's heavy industry risk profile in the city. A number of joint initiatives with industry and the Province have increased capacity and operational readiness for larger incidents. For instance, Saint John Fire Department provides one of the Provinces' two Regional Hazardous Materials Response Units. The Haz Mat Units involve a specialized truck and trailer supplied by the Province of NB. The acquisition of \$3 million training facility in 2014 has been made possible by a collaboration with Irving Oil. Port Saint John also provided funding to include a marine ship component within the new training structure. Canaport LNG provides subsidizes Command Staff Training for responses to emergencies at industrial facilities.

There are nevertheless some industry-specific costs that Saint John Fire must cover beyond the primarily residential focus of the Department. Saint John Emergency Management Organization (SJEMO) plans and prepares for all emergencies in the city, and an estimated \$285,000 (40%) of effort focuses on industrial hazards. Of the total 65,700 hours of engaged service (in-service hours), 3,400 (5.2%) are dedicated to industrial incidents (not including tankers or command vehicles). The refinery fire at Loch Lomond road and the butane leak at Bayside Drive required detailed accounting of the response costs. These include personnel overtime, personal protective equipment, fire-fighting apparatus costs, detection equipment, ventilation tools and equipment, extinguishing agents, hose and supply lines, and fire investigation supplies. This does not include the regular hours of staff during each response, and City of Saint John temporary special pension costs are not included. The average cost per in-service hour is \$401 and when applied to the 3,400 industrial in-service hours for 2018, the total cost is about \$1.4 million<sup>9</sup>. The combined costs for emergency planning and response is about \$1.7 million.

### **Lost revenues – lower residential property values**

The effects of industrial lands on residential property values have been examined by researchers in Canada and abroad and it is worthwhile to draw some key points from previous work before turning attention to Saint John. Research in Alberta<sup>10</sup> found that oil and gas facilities located within 4 kms of residential properties have significant negative effects on their value. The effects on

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<sup>9</sup> Saint John Fire Department, 2019. Custom tabulations for industrial incident responses in 2018.

<sup>10</sup> Boxall, P., W. Chang, M. McMillan. 2005. The impact of oil and natural gas facilities on residential property values: a spatial hedonic analysis. *Resource and Energy Economics*, 27: pp.248–269.

property values are expressed in terms health hazards and impacts on amenities, particularly enjoyment of natural landscapes. A study in the Netherlands<sup>11</sup> used an extensive property assessment database that allowed researchers to account for many property characteristics that determine market prices (e.g. floor area, property area, year of construction, distances to numerous amenities, neighbourhood density, and other property attributes). After accounting for these factors, the proximity to industrial sites had a statistically significant negative effect on property values. Each 250 metre increment in distance up to 2,250 metres from the industrial sites was statistically significant. These are just two examples of research on the topic and it helps to determine what distances are relevant when examining Saint John for potential effects.

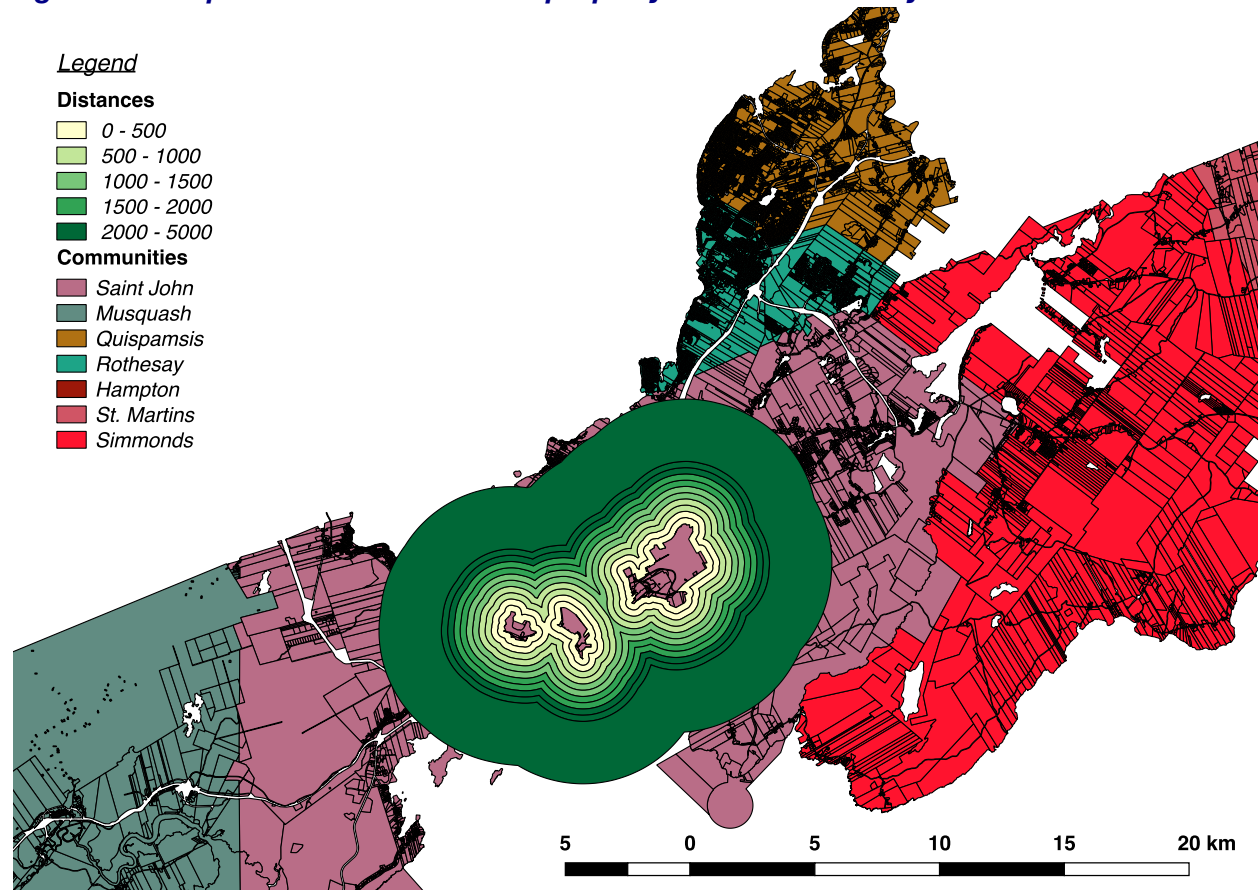
The following map shows the areas around industrial sites on the east and west sides of the port that were examined in 500 metre distance intervals out to 5,000 metres. In order to capture enough properties at each interval for a robust analysis, the properties included are those with: no units (vacant land), single units, two units, and three units. Additional higher unit properties (over 3 units) may also be affected, so the analysis may understate effects. Although the “rings” extend beyond Saint John, only Saint John properties are included, while separate data are compiled for Grand Bay – Westfield, Rothesay, Quispamsis, and Hampton.

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<sup>11</sup> De Vor, F., H. de Groot. 2011. The impact of industrial sites on residential property values: A hedonic pricing analysis for the Netherlands. Tinbergen Institute Discussion Paper.



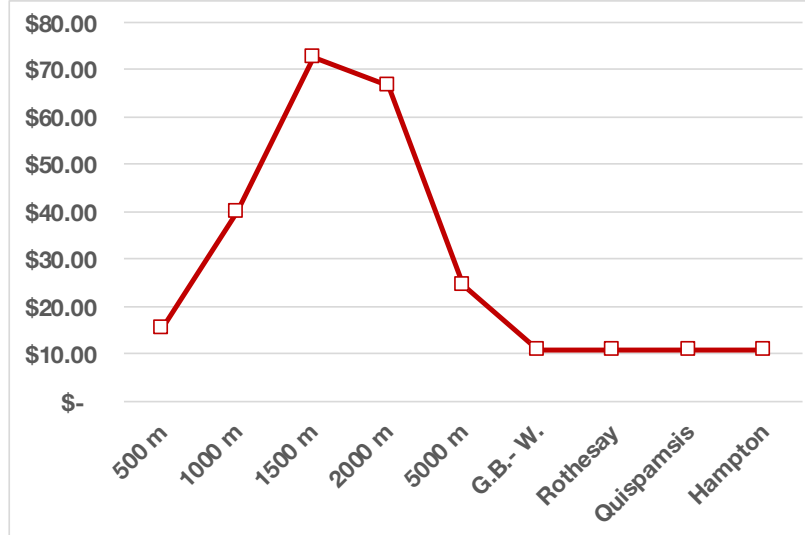
**Figure 2.1: Map of areas in Saint John property assessment analysis**



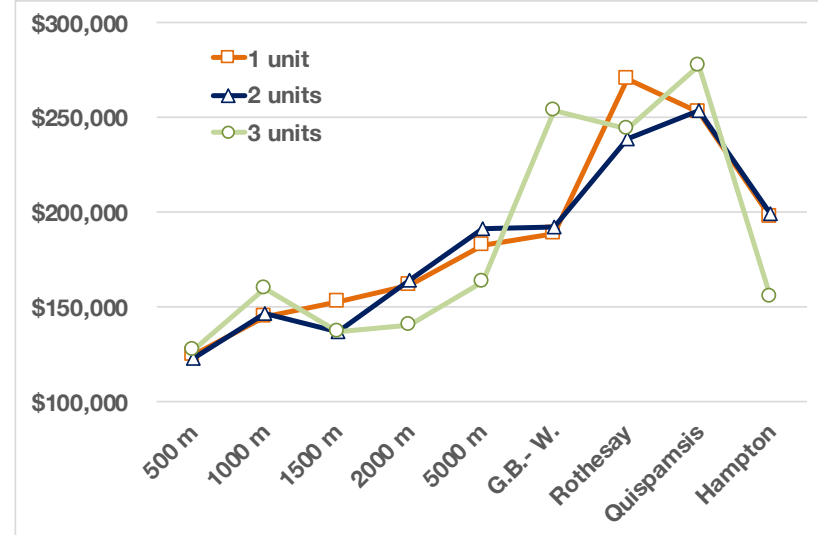
The property values at each distance interval and for each community outside Saint John are presented in the next figure. Separate lines show the values for properties with: one unit (orange), two units (blue), three units (green), and vacant land values per square metre (red line related to right-hand axis). Property values are lowest close to the industrial sites and generally rise as they move farther away, including the more distant communities outside Saint John. Vacant land beyond 1,500 metres is the only exception to the trend, where values decline as you would expect in areas where land is more abundant.

**Figure 2.2: Property assessment values by distance and community, and by type of property**

**Vacant property assessments (\$/sqm)**



**Dwelling property assessments (1-3 units)**



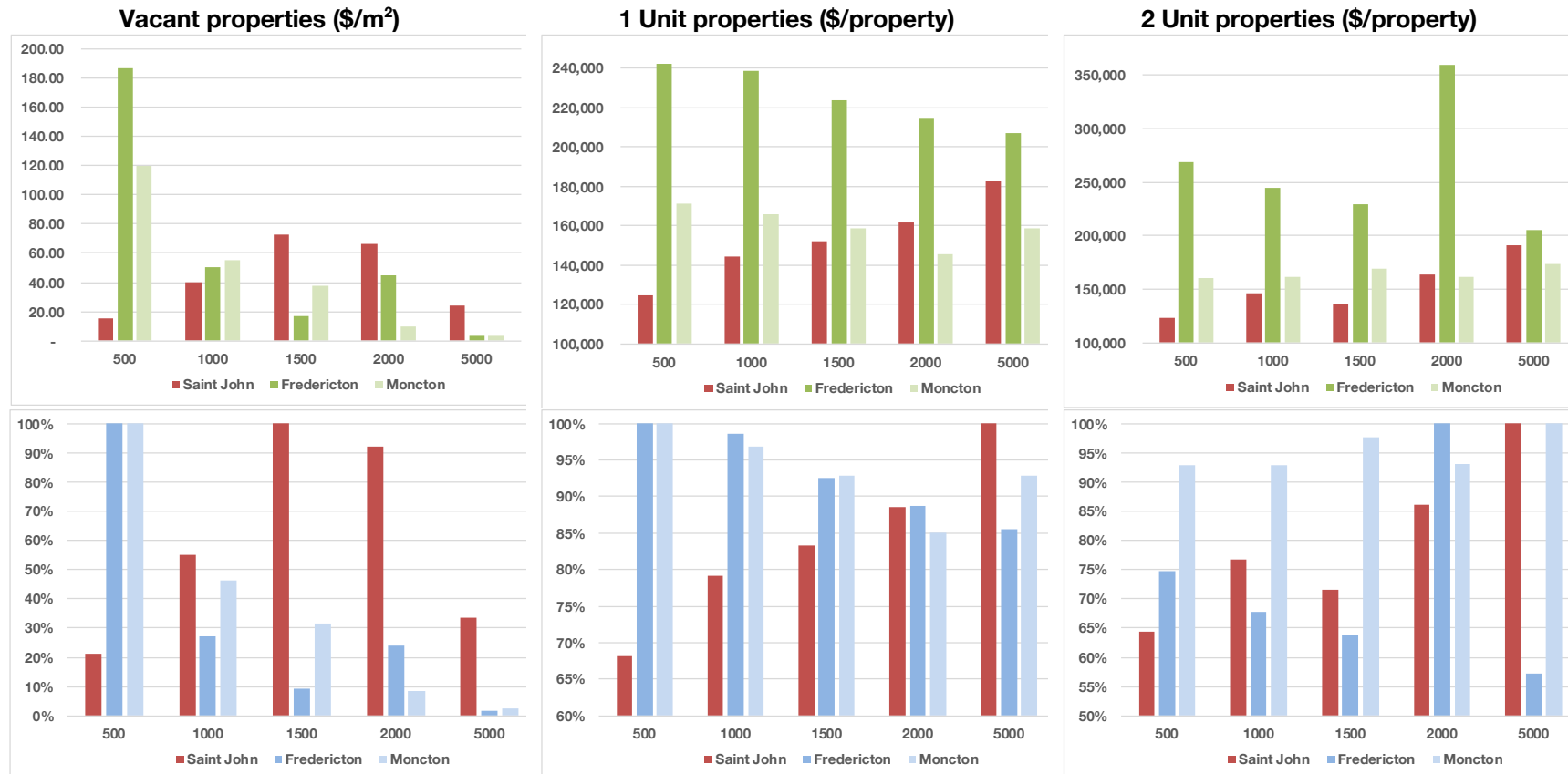
The data in the figures are shown in the next table, along with number of properties included in each element of the analysis. The tax revenues are also included in the table and these are based on the property assessment values multiplied by the respective tax rate in each community.

**Table 2.4: Property assessment values and tax revenues by distance from central industrial sites and by number of units**

Units	500	1000	1500	2000	Grand Bay 5000	Westfield	Rothsay	Quispamsis	Hampton
<b>Values</b>									
Vacant \$/sqm	15.27	39.93	72.44	66.60	24.36	10.77	10.65	10.82	10.78
1	124,529	144,393	152,153	161,593	182,493	188,028	270,047	252,675	197,325
2	122,853	146,259	136,614	164,179	190,841	192,087	238,199	253,758	199,006
3	126,661	159,190	136,482	140,153	163,028	253,233	243,670	277,243	155,250
<b>Properties</b>									
Vacant	646	917	871	426	1,408	654	758	900	484
1	2,113	1,937	2,073	1,792	4,949	1,754	3,947	5,722	1,451
2	485	516	364	200	230	67	102	263	51
3	126	188	221	17	29	3	10	7	4
<b>Tax revenues</b>									
0	1,032,933	1,972,959	2,231,175	1,118,731	8,444,723	433,600	756,823	1,877,158	439,542
1	4,696,876	4,992,467	5,630,143	5,168,919	16,121,327	4,518,274	13,216,835	19,060,053	3,664,886
2	1,063,567	1,347,138	887,636	586,119	783,497	176,316	301,274	879,811	129,911
3	284,874	534,209	538,401	42,529	84,391	10,408	30,215	25,584	7,949
<b>Total tax</b>	<b>7,078,250</b>	<b>8,846,772</b>	<b>9,287,355</b>	<b>6,916,298</b>	<b>25,433,938</b>	<b>5,138,597</b>	<b>14,305,147</b>	<b>21,842,606</b>	<b>4,242,287</b>

Based on the same methods, the set of charts below compares the average property assessment values by distance for Saint John, Fredericton, and Moncton according to property type (vacant, 1 unit, and 2 units). The GIS maps used for the analysis and results are tabulated in the Appendix. The downtown center point for the analysis in Moncton is the corner of Main St. and Lutz St, while the centre point in Fredericton is the corner of Westmorland St. and Queen St. The number of 3-unit properties in Fredericton and Moncton is too low for reliable interpretation, and even the number of 2-unit properties in Fredericton is low so these should be interpreted with caution. The chart indicates that Saint John property values near downtown are much lower than in Fredericton and Moncton and, as distance increases from the centre, Saint John values increase while the others decrease.

**Figure 2.3: Comparison of assessment values by distance for Saint John, Fredericton, and Moncton by type of property**



Note: The top figures show real values and the bottom figures show percentages of peak values for each municipality.

Summary observations:

- ❑ **Number of properties** – there are fewer 2-unit and 3-unit properties beyond 2,000 metres and in the outer communities so results should be interpreted with caution.
- ❑ **Percentages** – Vacant properties in central Saint John are valued at 21% of peak value lands 1-2 kms away, whereas top values for vacant land in Moncton and Fredericton are at the centre and properties 1-2 kms away are about 70% - 90% less. Single unit properties in central Saint John are 32% less than peak values 5 kms away, whereas top values for single units in Moncton and Fredericton are at the centre and properties 5 kms away are about 7% - 14% less.
- ❑ **Lost revenue** – a more common property value pattern would have the highest values near the city centre and waterfront, and even a level property value out to 2,000 metres would substantially increase tax revenues. If this were the case with the three inner distances at the 2,000 metre average assessment value, the additional tax revenues are estimated at \$32.8 million annually. If this were applied to the inner four distances at the average assessment value of the 5,000 metre properties the annual total is \$36.7 million. See Appendix C for figures illustrating this calculation.
- ❑ **Cumulative loss** – since this has been the case for many years, the total missed revenue and opportunity to invest in Saint John infrastructure and services could be \$328 million (10 years), \$657 million (20 years) in current dollars.
- ❑ **Costs of “sprawl”** - Much attention has been paid to the costs of dispersed settlement patterns versus compact development forms. From a municipal finance perspective, the issue is that extending infrastructure and services over longer distances increases costs without corresponding increases in revenues. Recent research for the Halifax Regional Municipality<sup>12</sup> (HRM) determined that the municipal costs to support growth in suburban and rural parts of the municipality are “subsidized” by the existing tax base. As in HRM, Saint John could serve a higher population close to the city centre at reduced costs compared to more distant developments. This is not accounted for in the analysis as this report simply examines the difference in property values for the existing housing stock as is, and not the potential for more residential units that could be developed near the waterfront and downtown without industrial property deterrents.

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<sup>12</sup> Stantec in Association with Gardner Pinfold. 2013. Quantifying the costs and benefits of alternative growth scenarios – Halifax Regional Municipality, Nova Scotia.

### **Lost revenues – now vacant properties**

In some acute cases property values have suddenly reduced and are converted to vacant lots. The 2018 butane pipe leak affected the value of houses on Pleasant City St. and River Ave. in this way and were subsequently purchased by Irving Oil Ltd. so landowners did not suffer a substantial loss. Although this helps address the needs of property owners, there is still a loss to the City as the assessment base and tax revenue is almost entirely eliminated. The online Provincial Property Assessment Database shows 21 properties on these two streets with assessment values that dropped from 2018 to 2019 (map below). The loss in assessment base was \$1.9 million and the annual loss in tax revenue was \$32,562. The tax revenue is lost for a number of years so it is useful to consider this in terms of a one-time value using a net-present value calculation with a 5% discount rate over a twenty-year period, and this amounts to \$406,000 in lost revenue. According to news reports the residents that left those streets did not build new homes elsewhere in Saint John; some moved into rental units, some moved into other existing homes, and some moved out of Saint John<sup>13 14</sup>. Therefore an offsetting increase in tax revenue from other properties in Saint John does not appear to be a factor. In addition, Saint John Water no longer collects \$1,428 from each of these properties for a total of about \$30,000 annually. Some of this may be captured at other properties where residents have re-established.

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<sup>13</sup> Smith, Connell. July 2, 2018. Appeals show property values tumbled following butane leak. CBC News New Brunswick (online: <https://www.cbc.ca/news/canada/new-brunswick/irving-oil-butane-leak-rupture-emergency-evacuation-saint-john-1.4726948>)

<sup>14</sup> Smith, Connell. April 12, 2018. Irving Oil expands home buying plans in butane neighbourhood. CBC News New Brunswick (online: <https://www.cbc.ca/news/canada/new-brunswick/butane-leak-evacuation-irving-oil-pipeline-break-environment-1.4616630>)



**Figure 2.4: Properties on Pleasant City St. and River Ave. demolished following butane pipe leak in 2019**



## **Benefits**

In theory, the municipality “recovers” costs associated with heavy industry properties through the collection of property taxes each year. Property taxes are a blunt tool for funding municipalities since they are not easily tailored to align costs and revenues for each property type. The City of Saint John estimates that tax revenues from heavy industry are about \$12 million each year. An additional \$9 million are collected by the Province from industry in Saint John, and some of the \$17.4 million unconditional grant from the Province to the City could be derived from this \$9 million collected. From the City perspective, just over \$12 million in benefits flows from heavy industry properties.

## **Cost-recovery summary**

Bringing together the cost and benefit findings we have the following summary observations:

- ❑ Direct costs - \$2.5 million for roads, \$1.2 million for fire, and not quantified for police
- ❑ Opportunity costs – up to \$32 million for lost residential property tax revenues and lost residential properties
- ❑ Benefits – About \$12 million in municipal tax revenue from heavy industrial properties

Other types of business such as banks, retail, accommodations and others that do not incur costs like heavy industry are still obliged to pay property taxes as basic support for general municipal operations. The above cost analysis does not include any of this basic level of support expected from heavy industry, it only focuses on some of the exceptional costs. Current revenues certainly fall short of providing for a full cost-recovery balance, and this indicates an unsustainable funding model regarding heavy industry costs to the City of Saint John.

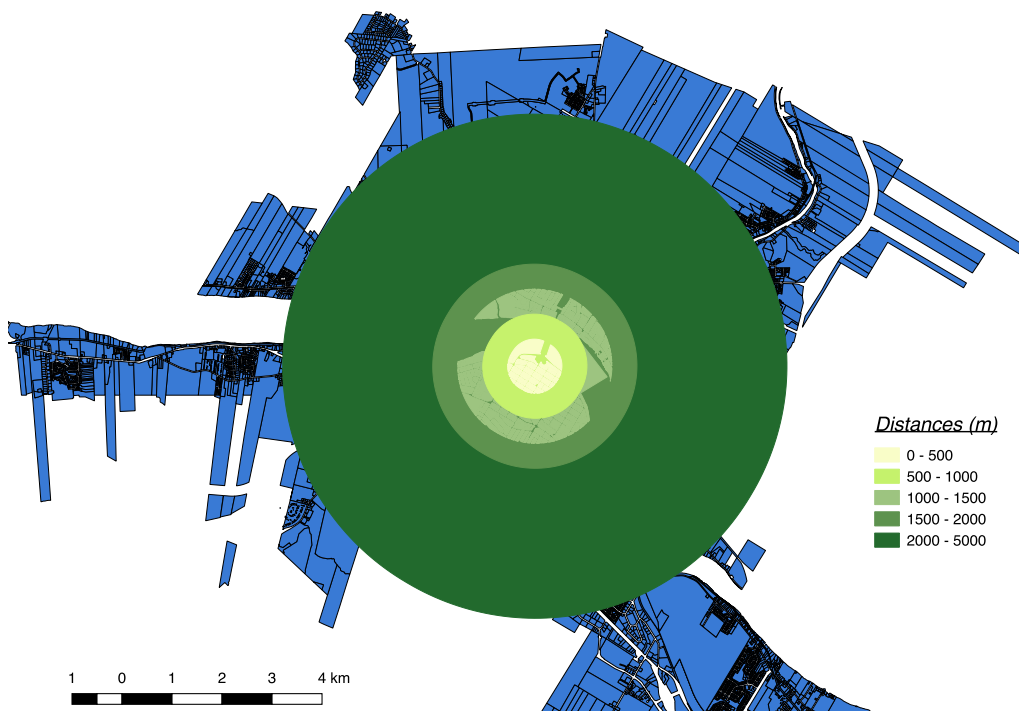


### 3. APPENDIX A

**Figure A.1: Moncton property analysis (center at Main and Lutz)**



**Figure A.2: Fredericton property analysis (center at Westmorland and Queen)**



**Table A.1: Average assessment values by distance from the center of Fredericton**

	F500	F1000	F1500	F2000	F5000
<b>Values</b>					
Vacant	186.70	50.64	17.16	44.95	3.00
1	242,030	238,808	223,858	214,696	207,026
2	269,150	244,329	229,871	360,092	205,836
3	310,700	287,588	310,120	301,400	678,657
<b>Properties</b>					
Vacant	14	14	59	57	577
1	174	567	1,238	1,844	9,922
2	8	14	17	12	59
3	12	24	10	3	7

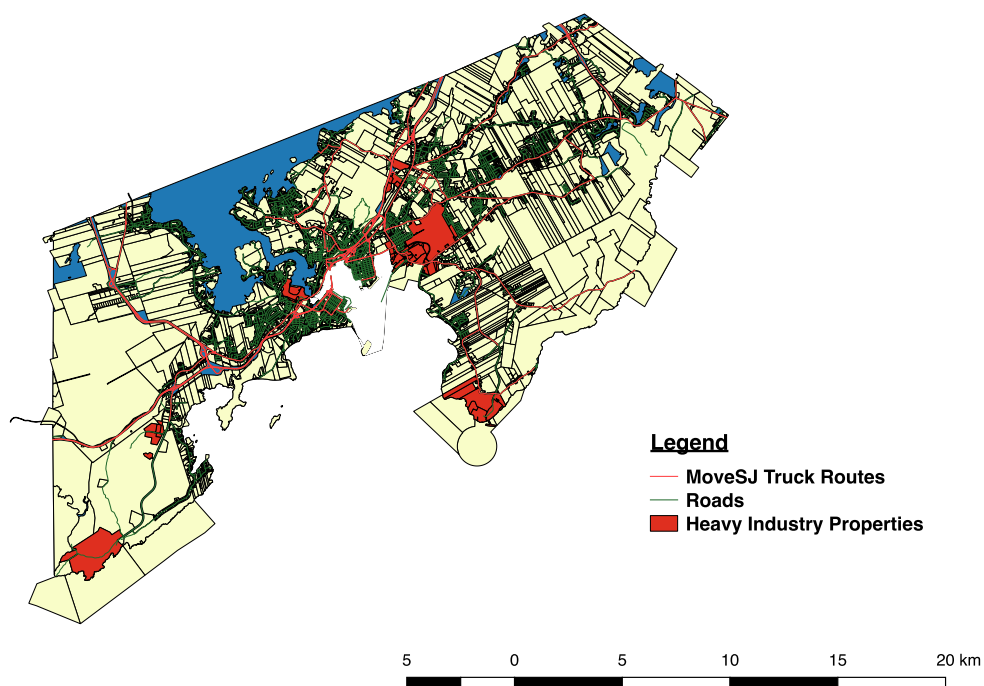
**Table A.2: Average assessment values by distance from the center of Moncton**

	M500	M1000	M1500	M2000	M5000
<b>Values</b>					
Vacant	119.95	55.38	37.69	10.00	3.03
1	171,061	165,681	158,817	145,621	158,758
2	161,001	161,162	169,446	161,287	173,494
3	214,693	180,795	187,513	189,300	241,789
<b>Properties</b>					
Vacant	49	85	40	37	351
1	167	609	998	1,315	8,310
2	69	232	145	38	312
3	14	75	48	25	75

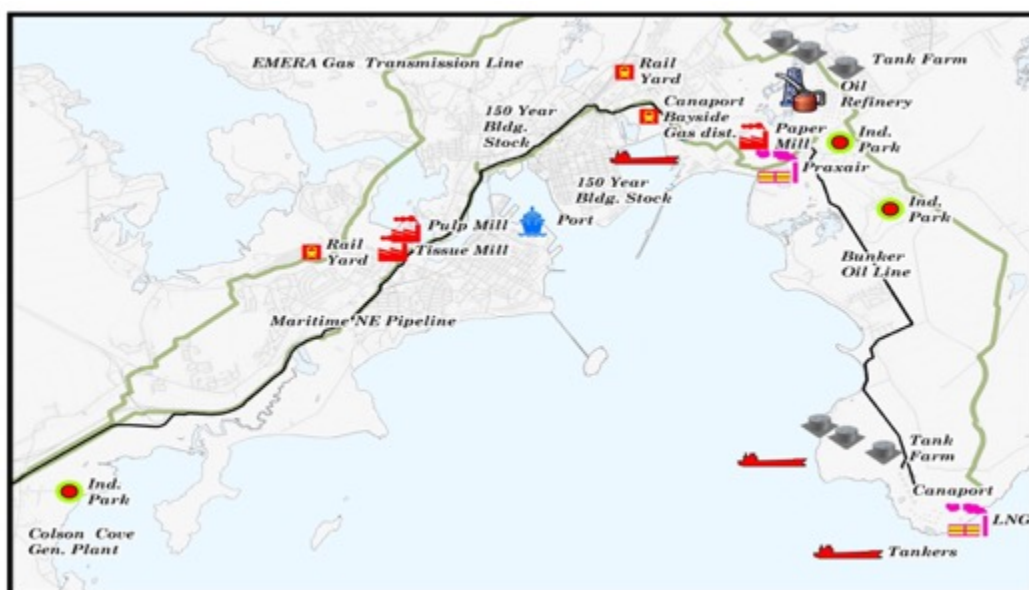
## 4. APPENDIX B

In addition to properties associated with the port, the figure below illustrates heavy industrial properties in Saint John, and the table that follows lists the property owners along with current assessment values for their properties and the number of land parcels included.

**Figure B1: Main industrial property areas in Saint John**



**Figure B2: Examples of heavy industry sites in Saint John**



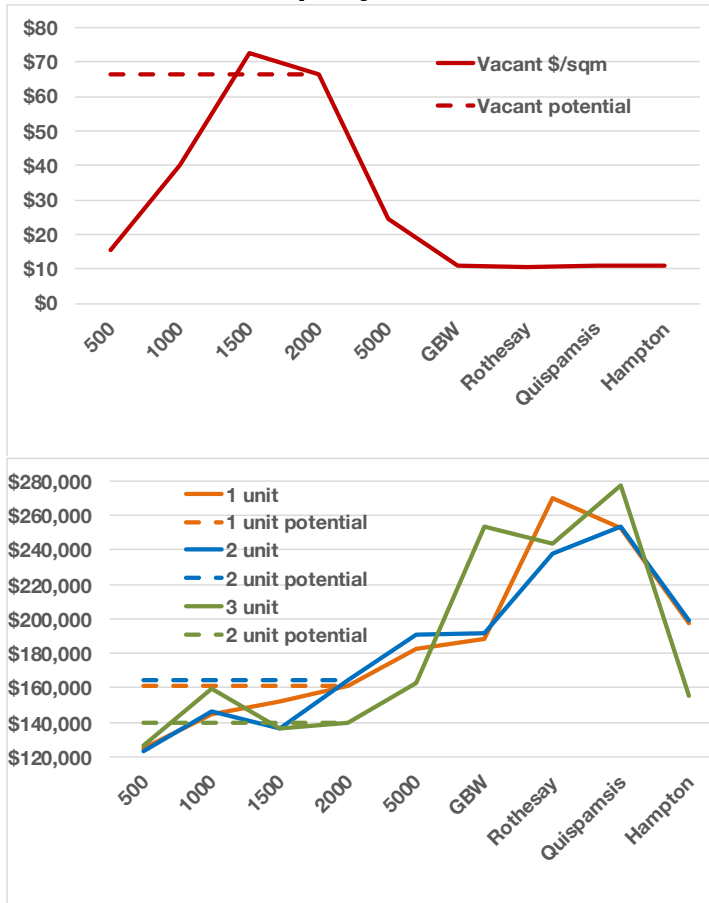
**Table B1: Key industrial properties in Saint John**

Item #	Entity	Assessment \$	Properties
1	Cobalt Properties	462,900	4
2	Atlantic Wallboard Limited	11,533,200	2
3	Bayside Realities Limited	14,165,500	16
4	City Of Saint John	80,800	5
5	Classic Asphalt Ltd	173,200	2
6	Debly Resources Inc	779,200	2
7	Galbraith Equipment Co Ltd	32,400	1
8	Highland Operations Ltd	2,391,300	2
9	Irving Consumer Products Limited	17,443,200	1
10	Irving Oil Company Limited	227,221,700	16
11	Irving Oil Limited	12,318,800	5
12	Irving Pulp And Paper Ltd	68,881,400	16
13	J. D. Irving Ltd	3,563,300	4
14	Moosehead Breweries Limited	12,156,600	2
15	NB Power Corporation	110,272,200	4
16	New Leaf Environmental Inc	729,300	2
17	NRB Construction Company Ltd	604,500	3
18	Osco Properties Ltd.	2,632,500	2
19	Power Commission Of The City Of Saint John	46,200	1
20	Praxair Canada	687,100	1
21	NB Dept Transportation And Infrastructure	4,000	1
22	Saint John And Maine Railway Co.	1,200	1
23	Saint John Shelter Ltd	539,400	1
24	Simpson's Truck & Tractor Parts Ltd	905,500	1
25	Smith, Gerald F & Patricia A	128,300	1
26	Strescon Ltd	9,445,100	3
27	The NB Southern Railway Co Ltd	66,500	2
28	Voyageur Properties Ltd	2,814,600	1
<b>Total</b>		<b>500,079,900</b>	<b>102</b>

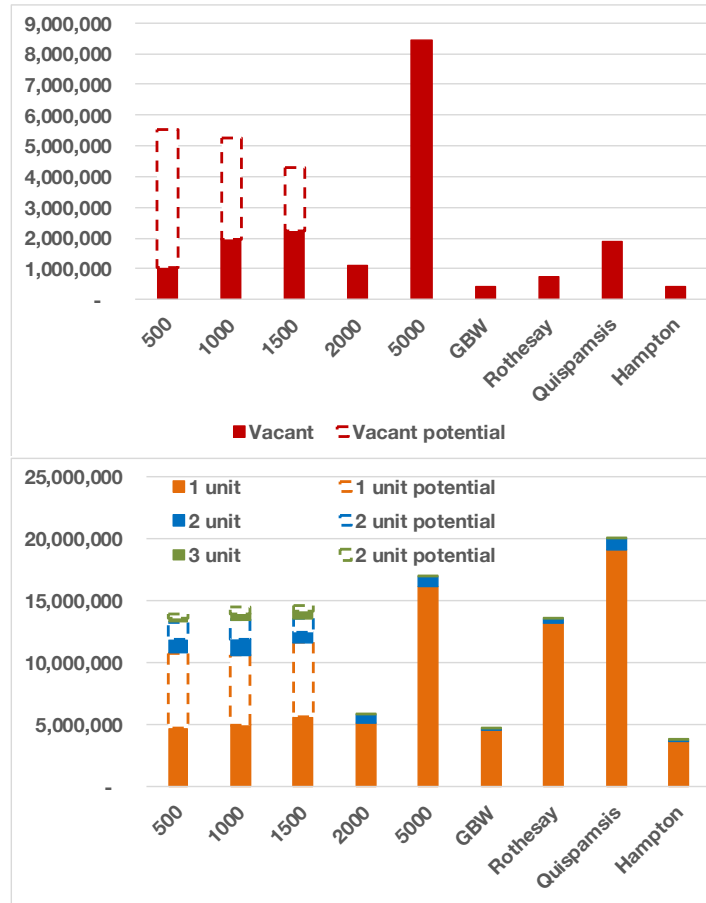
## 5. APPENDIX C

The following figures illustrate the potential property values and corresponding revenues totalling \$32.8 million. This underscores the conservative approach since these still do not reflect property value patterns in other cities.

**Property values**



**Tax revenues**





**SJE Growth Agenda and Pricing Analysis Support**  
**Phase 2 | Growth Agenda Review**

CONFIDENTIAL

April 2020

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# Executive Summary

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# Executive Summary | Project Background and Objectives

The City of Saint John engaged Deloitte to perform an independent review of Saint John Energy's growth agenda that identifies a series of energy-related products, services, and innovation which could generate increasing value for the utility.

## Project Background

The City of Saint John (the "City") engaged Deloitte LLP ("Deloitte" or "We") to conduct an independent review of Saint John Energy's ("SJE") growth agenda. Work was contracted under the engagement letter – **SJE Growth Agenda Review and Pricing Analysis Support** executed on November 18, 2019.

The scope of services to be provided under this engagement were grouped in the following three phases:

- 1. Pricing Analysis:** Preparation of a pricing analysis of the current state forecast of SJE based on a market view.
- 2. Growth Agenda Assessment:** An assessment of SJE's growth agenda and related plans.
- 3. Updated Pricing Analysis:** Perform an update of the pricing analysis (completed in phase 1) to include the projected cash flows associated with SJE's growth plans.

The **purpose of this report** is to provide the City with the outputs related specifically to **Phase two – Growth Agenda Assessment**, including:

- Summary of SJE's growth agenda and related plans.
- Summary of SJE's growth agenda alignment to overall industry trends, opportunities, and initiatives conducted by other Canadian municipal utilities.
- Summary of the commentary provided by various economic development agencies and industry associations.
- Supporting appendices which consist of additional analysis and/or information to be retained by the City.

## Phase 2 Overview

We have performed an assessment of SJE's growth agenda and related plans. The below list summarizes our approach and key activities which were undertaken to complete the assessment.

### Key Activities

- Conduct a kick-off meeting with select stakeholders within SJE.
- Obtain and review SJE's growth agenda plans.
- Assess growth agenda assumptions, timing, and risks against a selected benchmark of industry peers.
- Conduct working session with select stakeholders within SJE to:
  - Review our understanding and share benchmarking results.
  - Discuss key elements of the growth plan from a quantitative perspective including: amount, timing risk, challenges, and opportunities.
- Coordinate with various economic development agencies and industry associations to obtain commentary in respect to the potential direct and indirect economic impacts associated with SJE's Growth Agenda.
- Summarize analysis and working session outputs into a report format.
- Review assessment with members of the City and SJE.

# Executive Summary | Company Overview

SJE has been operating since 1922, serving more than 36K residential and commercial customers spanning over 316 square kilometers with an above industry average customer satisfaction ratings.

## About Saint John Energy Today

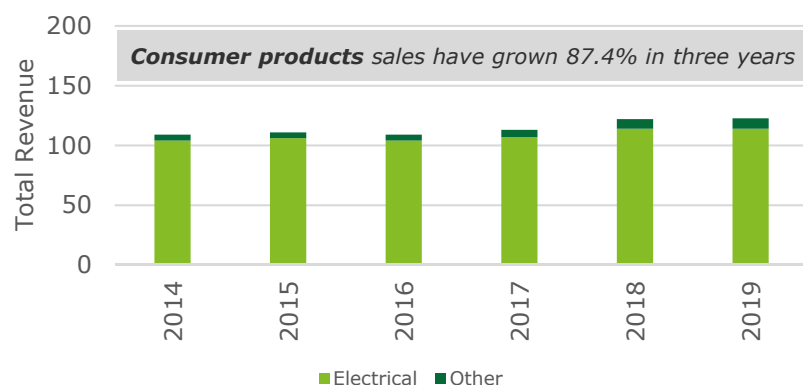
Saint John Energy is a municipal electrical distribution utility serving light industrial, commercial and residential customers within the city limits of Saint John, New Brunswick. Currently, SJE is 100% owned by the City of Saint John.

The below indicators provide a quantitative and qualitative snapshot of SJE's customer performance.

- **Over 36K** customers, residential and light industrial
- **Strong Customer Support** – National utilities surveys show SJE outperforming the national average in terms of customers willingness to recommend the utilities services.
- **Highly Reliable** – Significantly low outage frequency and duration compared to national average

As of 2019, revenues consisted of **\$113.7M** of electrical sales and **\$8.8M** of other revenues (\$6M in products and rentals).

## Historical Operating Performance (\$ Millions)



**Source:** Saint John Energy Annual Reports (2015 – 2018)  
© Deloitte LLP and affiliated entities.

## About Saint John Energy's Plans for Tomorrow

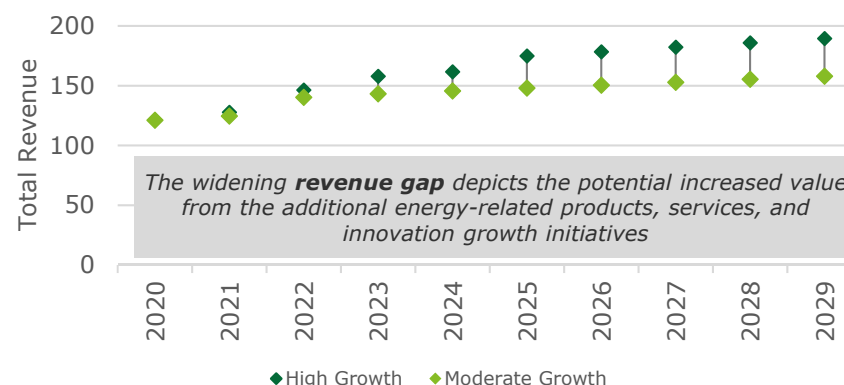
The speed of innovation and disruption within the Power and Utilities ("P&U") industry is increasing at an accelerated pace. SJE management recognize these trends and has bold aspirations for the future.

The overall objective of SJE's growth agenda is as follows:

- Continue to provide the benefits of low rates and service quality to customers.
- Strengthen the City of Saint John and surrounding regions through job creation and flow of surplus funds.
- Advance and further establish the regional energy sector through various innovation efforts and partnerships.

Due to various regulator/legislative constraints, SJE has developed two growth scenarios (*high and moderate growth*) as depicted in the graph below.

## Forecasted Operating Performance (\$ Millions)



**Source:** Saint John Energy Growth Strategy (2020 – 2029)

**CONFIDENTIAL** | Growth Agenda Review

# Executive Summary | Growth Agenda Overview

Saint John Energy's growth agenda is categorized into three pillars of growth across renewable generation and storage, smart energy services for consumers, and strategic partnership opportunities.

## Planned Growth Initiatives

Over the next 10 years, SJE has a list of growth initiatives that are broadly categorized into the following three categories:

- A. Renewable generation and storage
- B. Smart energy services for consumers
- C. Strategic partnership opportunities

SJE has identified various growth initiatives in which they have or are planning to undertake. The table below categorizes these initiatives across three growth pillars.

Growth Pillar	Summary of Initiatives
<b>Renewable Generation and Storage</b>	<ol style="list-style-type: none"><li>1. Wind farm development to bring new green energy (e.g. Burchill Wind Project).</li><li>2. Utility-scale energy storage to reduce peak energy costs (e.g. Tesla batteries).</li><li>3. Solar energy options for consumers (e.g. Community Solar Farm).</li></ol>
<b>Smart Energy Services for Consumers</b>	<ol style="list-style-type: none"><li>4. Developing a Smart Grid for the City of Saint John (e.g. Advancing the use of technology and innovation used on the grid and in customer's homes/buildings in attempt to smooth peak usage).</li><li>5. Advancing and offering smart/connected energy consumer products (e.g. Hot water heaters, heat pumps, advanced batteries and electric vehicle chargers).</li><li>6. Delivering new products and services beyond the City of Saint John (e.g. Managed solar, electric vehicle charging, and energy storage).</li></ol>
<b>Strategic Partnership Opportunities</b>	<ol style="list-style-type: none"><li>7. Research institutes, firms, and technology (e.g. UNB, Tesla, CaSa, etc.).</li><li>8. Launch SJE Centre for Innovation.</li><li>9. Expanding utility services (e.g. Field operations, engineering, asset management, control room operations and managed utility technology).</li></ol>

# Executive Summary | Economic Impact Considerations

In reviewing the potential economic development opportunities related to Saint John Energy's growth agenda and related plans we reviewed the recent economic impact assessment report on their historical and future operations as well as held discussion with various stakeholders to obtain their perspective.

## Approach Overview

As part of the growth agenda review we have collaborated with SJE and the City of Saint John to consider the potential economic development opportunities related to SJE's growth agenda. To develop an understanding of the potential opportunities related to SJE's growth agenda and related plans we:

- Reviewed and extrapolated the key insights from the economic impact assessment conducted by Jupia Consultants Inc. ("Jupia") in January 2020.
- Held information gathering sessions with various economic development agencies, government departments, and industry associations to obtain feedback/insights. Please refer to **page 30** and **31** for a summary of the feedback/insights obtained.

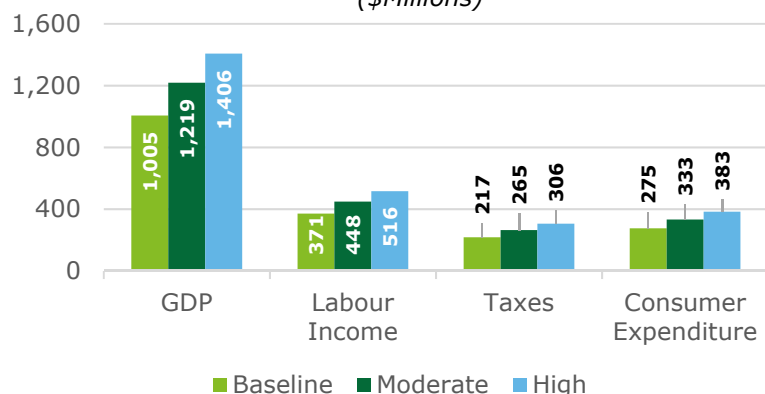
## Forecasted Economic Impact Summary

SJE engaged Jupia to perform an economic impact assessment of their historical and future operations. The 10-year cumulative contribution to the provincial Gross Domestic Product ("GDP") for each scenarios was:

- \$457M** for the **historical** period 2015A-2018A
- \$1,005M** for the **baseline growth** scenario 2015A-2024F
- \$1,218M** for the **moderate growth** scenario 2020F-2029F
- \$1,406M** for the **high growth** scenario 2020F-2029F

The estimated economic impact scenarios illustrate the increased economic impact associated to SJE undertaking additional growth initiatives. The table below outlines the increase in economic impact across other growth scenarios.

**Forecasted Outputs | 10-Year Total by Scenario**  
(\$Millions)



Source: Saint John Energy Economic Impact Assessment – Jupia Consultants Inc.

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**Forecasted Outputs Variance | By Scenario**  
(\$Millions)

Output Variance	Baseline to Moderate	Moderate to High	Baseline to High
GDP	213.2	187.8	400.9
Labour Income	77.4	67.4	144.8
Taxes	47.3	41.0	88.3
Consumer Expenditure	57.7	50.0	107.7

# Executive Summary | Industry Observations

Government and utility companies have been responding to the changing Power and Utilities industry by making significant investments within the industry. Municipal utility companies have also expressed a strong interest to participate in the new energy economy.

## Power and Utilities Overview

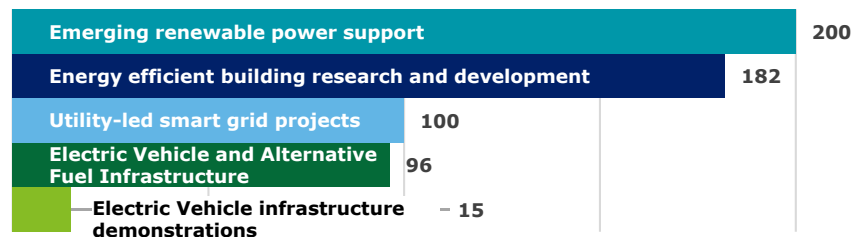
Based on our research on the Power and Utilities ("P&U") industry we have observed the following key trends:

- Sustainability – Increased demand for clean energy sources.
- Portfolio Optimization – Industry-wide development of distributed energy resources ("DER") strategies.
- Business Model Transformation – External market factors are pushing companies to consider new business models.
- Core Growth – Leveraging core capabilities to further advance smart city initiatives.
- Strategic Planning – P&U companies are planning for consumer adoption of disruptive technologies.

## Investment in Energy Innovation

The Canadian government has been pursuing grid modernization and decentralization. To demonstrate their commitment, the government has been actively supporting investment in clean technologies. The department of Natural Resources of Canada ("NRCAN") Green Infrastructure Phase 2 program illustrates some of the federal funding made available to accelerate next-generation clean infrastructure.

**Green Infrastructure Phase 2 | Total Funding by Project (\$M)**



Source: <https://www.nrcan.gc.ca/green-infrastructure-programs/19780>

## Canadian Energy Sector

Canada's energy mix is primarily produced from hydro, nuclear, and coal generating facilities. Increased grid modernization has resulted in utility companies assessing and deploying various smart grid technologies/initiatives, such as:

Advanced metering infrastructure ("AMI")	New rate options	Demand response
Distributed energy sources	Micro-grid	Self-healing grid

## Municipal Utility Landscape

In 2016, the Electric Distributors Association ("EDA") conducted a survey of its local distribution company ("LDC") members. The objective of the survey was to gather opinions on the trends, drivers, challenges, and opportunities currently faced by the LDC's.

Overall, the survey results revealed that municipal utilities are aware of the increasing importance of evolving their business to meet consumers future needs. The table provides a brief summary of the key opportunities and challenges.

Key Opportunities	Key Challenges
<ul style="list-style-type: none"><li>• Small scale energy production/distribution</li><li>• Expansion of services</li><li>• Improved/advanced technology</li></ul>	<ul style="list-style-type: none"><li>• Regulatory/compliance</li><li>• Meeting customer services/expectations</li><li>• Government policies/political pressure</li></ul>

# Executive Summary | Summary of Review

In reviewing Saint John Energy's growth agenda and related plans we have performed research on other Canadian municipal utilities, Power and Utilities industry, and Canadian energy sector. Overall, SJE's growth agenda and related plans are aligned to industry trends and investments across Canada.

## Planned Growth Initiatives

Based on the research and analysis conducted we have made the following key observations. For additional details, please refer to the **Industry Benchmarking** section as well as **Appendix A** and **B**.

### A. Power and Utility Industry

- Consistent and aligns with overall industry trends and opportunities.

### B. Canadian Energy Sector

- Overall alignment to federal government agenda and key issues/opportunities identified by municipal utilities.

### C. Municipal Utility Trends

- Consistent and aligns with industry peers past, present, and planned growth initiatives.

Growth Pillar and Initiatives	Power and Utility Industry	Canadian Energy Sector	Municipal Utility Trends
<b>1. Renewable Generation and Storage</b>			
Wind energy projects			
Utility-scale storage			
Community solar			
<b>2. Smart Energy Services for Consumers</b>			
Smart grid investments			
Smart consumer products			
Managed solar, Electric Vehicle charging and storage			
<b>3. Strategic Partnership Opportunities</b>			
Partner with industry and academia			
Centre for innovation			
Expanded utility services			
<b>Legend</b>	<b>High Alignment:</b> Strong similarities in activities when compared to SJE's growth agenda and related plans.		
The adjacent rankings are provided for each of the areas of review.	<b>Moderate Alignment:</b> Some similarities in activities when compared to SJE's growth agenda and related plans.		

# Executive Summary | Concluding Remarks

A summary of our assessment of Saint John Energy's growth agenda and related plans is provided below. Additionally, through discussions with NBP and SJE a facilitated process was recommended in defining the Utility of the Future for New Brunswick and identifying collaboration opportunities to execute.

## Overall Insights and Observations

The below items summarize our review of SJE's growth agenda, industry research, and discussion with various stakeholders.

- SJE's pillars of growth span across renewable generation, smart energy services, and strategic partnerships. A total of **9 strategic initiatives**, at various development stages, were identified and reviewed across the three pillars of growth.
- The forecasted economic impact assessment conducted by Jupia indicates the positive contribution of SJE's operations. The 10-year cumulative GDP ranging from **\$1.0M** to **\$1.4M** based on the various level of completion of SJE's growth agenda.
- Discussions with various stakeholders illustrated the support for SJE in pursuing these initiatives. In addition, stakeholders highlighted the following key barriers / challenges to operationalization:
  - Legislative constraints, political landscape, resourcing effort, consumer behavior and adoption, as well as technological and financial feasibility.
- In 2017-2018, the National Resources of Canada ("NRCAN") department reported over **\$799M** was spent on energy research, development, and deployment.
- As of February 24, 2020, NRCAN reported funding **32** total **smart grid and energy storage projects** are either active or completed across Canada. These projects represent a total project investment of \$314.9M
- Overall, the vast majority of the benchmarked companies are exploring and/or executing on smart energy services and forming strategic partnerships. Whereas, deployment of renewable generation and storage projects are still nascent / developing across the benchmarked companies.

## Proposed Strategic Initiative

Based on our review of SJE's growth agenda, industry research, and discussion with various stakeholders we identified continued collaboration will be the key to success for SJE. In addition to the demonstrated next steps in SJE's growth agenda and related plans, we would propose that SJE and NBP undergo a facilitated process to define what the Utility of the future could be in New Brunswick ("NB") and identifying collaboration opportunities for each of the utilities to participate / execute on.

The diagram below provides a high level overview of this proposed process. Further details on the key activities, governance structure, and recommended parties involved are provided on page 11.



### Objectives:

Define the Utility of the Future for New Brunswick as well as identify collaboration opportunities to execute.



### Participants:

Select members of SJE and NBP management team. Approximately 2-3 representatives from each organization.

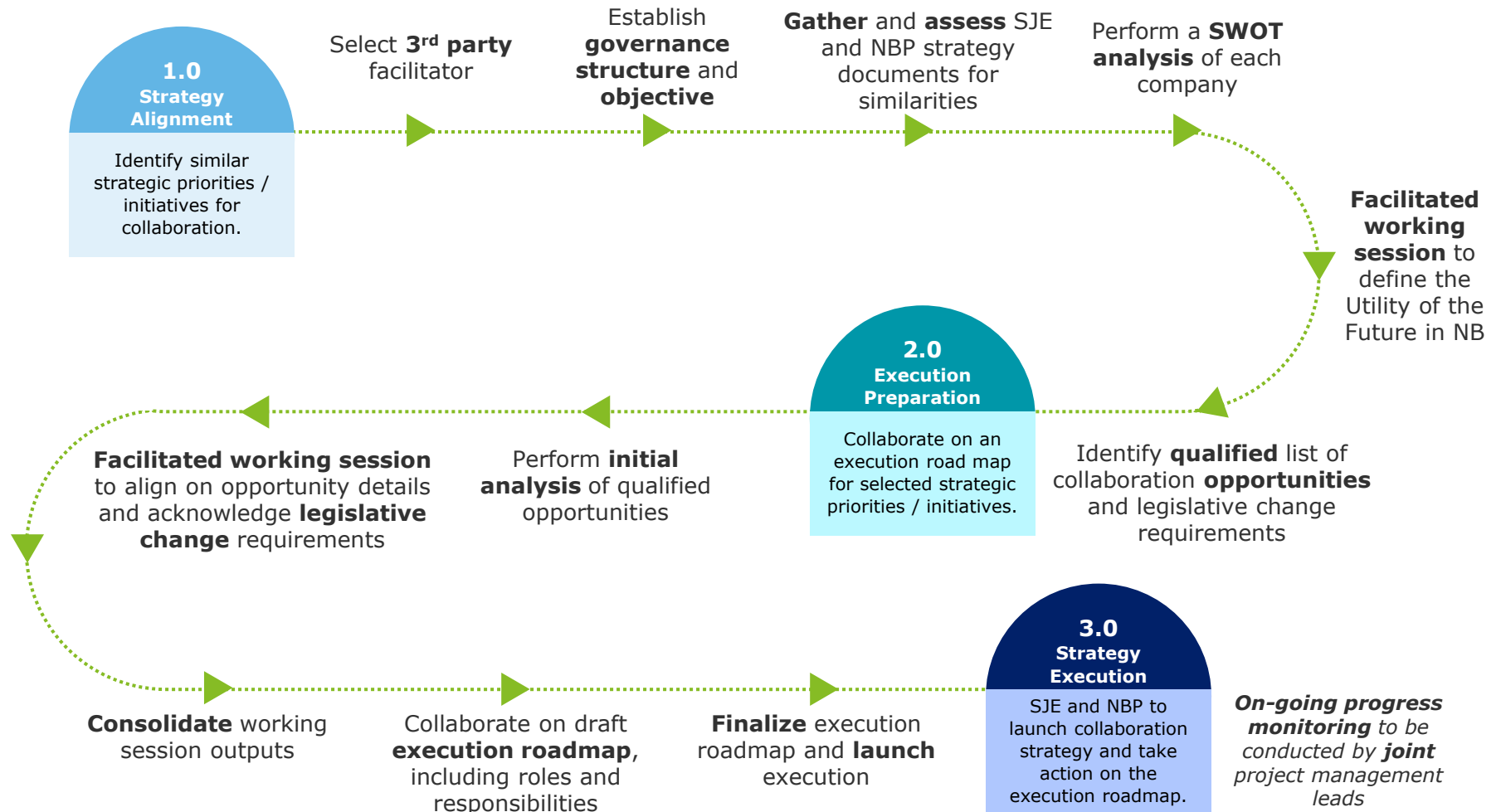


### Key Outcomes:

1. Defined Utility of the Future in NB
2. List of qualified collaboration opportunities
3. Roadmap to execute on select opportunities

# Executive Summary | Proposed Strategic Initiative

**Overview** of the proposed facilitated process for NBP and SJE to define the Utility of the Future in New Brunswick, identify strategic collaboration opportunities and develop a tactical execution plan to achieve results.





# Executive Summary | Proposed Strategic Initiative

**Details** of the proposed facilitated process for NBP and SJE to define the Utility of the Future in New Brunswick, identify strategic collaboration opportunities and develop a tactical execution plan to achieve results.

## Phase 1 – Strategy Alignment

### Objective

- Participate in a facilitated process to define the Utility of the Future in NB and identify strategic collaboration opportunities to execute.

### Activities

- Select a non-biased third party to conduct and facilitate working sessions / overall process (the “Consultant”).
- Establish the governance structure for the process, including: Steering committee members, status reporting cadence, deliverables, and working session participants.
- Gather and review strategy documents of SJE and NBP.
- Identify strategic priorities and operational and/or growth plans and assess for similarities.
- Perform a SWOT analysis of each company.
- Facilitated working session with select members of SJE and NBP to define the Utility of the Future in NB as well as review strategic and initiative similarities to identify ‘win-win-win’ (NBP-SJE-Province) opportunities for collaboration as well as synergy opportunities.
- Consolidate working session outputs to identify qualified opportunities for further analysis.

### Deliverables

- New Brunswick’s Utility of the Future defined
- List of qualified collaboration opportunities to be further developed for execution.

## Phase 2 – Execution Preparation

### Objective

- Participate in a facilitated process to collaboratively develop an execution road map for the selected strategic priorities / initiatives.

### Activities

- For each of the qualified opportunities, perform an initial level of analysis to identify estimated value potential, key activities and desired outcomes.
- *Facilitated working session with select members of SJE and NBP to review and update qualified opportunity details and align on:*
  - *Estimated value potential*
  - *Key activities / actions*
  - *Desired outcomes*
  - *Timing and interdependencies*
  - *Opportunity prioritization*
- *Consolidate working session outputs to develop an execution roadmap outlining*
- *Review and finalize execution roadmap with members of SJE, NBP, and the province.*

### Deliverables

- Execution roadmap, including:
  - *Key activities / actions*
  - *Timing*
  - *Deliverables*

# SJE Growth Agenda Overview

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# Growth Agenda Overview | SJE Growth Path

Since 2012, Saint John Energy has been strategically repositioning themselves in response to the changing utility industry. During this time, management has successfully executed on several initiatives including growth in consumer products, smart grid projects, and renewable energy generation projects.

## Realized Growth Initiative Overview

Despite the current regulatory constraints, SJE has pursued various initiatives to expand from a traditional energy distributor. Select examples include the following:

- **Heat pump program** – In 2016, SJE introduced a heat pump rental program to customers to expand their consumer product offerings. The on-going success of this program illustrates SJE as a viable provider of consumer products.
- **Burchill Wind Farm** – Since 2017, SJE has been embarking on a large scale project to bring wind energy to Saint John. Natural forces were selected to develop, own and operate the wind farm, in which SJE will purchase the energy generated.
- **Photovoltaics ("PV") Pilot** – Since 2018, SJE has been conducting a solar demonstration project to collect data and assess the business case of offering as a viable option to consumers.
- **Smart Grid Projects** – SJE is conducting a pilot project worth over \$13M on various smart grid advanced response projects. SJE management were awarded funding from NRCAN in support of their various smart grid projects.

SJE has gained industry recognition through several accolades:

- **ENERGYSTAR® "Most Efficient" Promoter of the Year**  
Awarded to SJE for their mini split ductless heat pump rental program.
- **Sustainable Electricity Company**  
Designated to SJE based on successful completion of the sustainability requirements as well as continuing to deliver electricity in a sustainable and socially responsible manner.

## SJE's Record of Success

Over the years SJE management team have identified and successfully executed on several initiatives to maximize the value provided to their customers and stakeholders. The table below highlights specific examples.

### Consumer Products

- SJE has operated a hot water tank program for over 20 years. To date, 60% of electricity customers also rent a hot water tank.
- The heat pump program has over 5,220 units with 10% of current SJE electricity customers renting.
- Approximately 32% of heat pumps are outside the city.
- This revenue stream has grown by 87.4% in the past three years and is worth \$6.0M of revenue in 2019.

### Renewable Energy Generation and Storage

- Since 2017, SJE has been actively exploring the use of renewable energy generation.
- SJE is in the process of installing a 1.25MW large-scale Tesla battery to an artificial intelligence control program to reduce peak demand. This will be the largest utility-scale battery in Atlantic Canada.

### Customer Satisfaction

- Internal customer survey indicated strong customer satisfaction. In addition, a national survey also shows SJE outperforming the national average.
- Approximately 86% of customers are in favor of SJE pursuing renewable generation.

# Growth Agenda Overview | SJE Current State Landscape

Saint John Energy is owned by the City of Saint John and is currently the primary energy distributor within the city's geographic jurisdiction.

## About Saint John Energy

Saint John Energy is a municipal electrical distribution utility serving light industrial, commercial, and residential customers within the city limits of Saint John, New Brunswick. SJE is currently 100% owned by the City and is currently limited to undertaken certain operating activities due to regulatory and legislative challenges.

Since 2012, SJE's management have strategically repositioned the company beyond their traditional services. SJE's growth agenda is focused on innovation and executing on key initiatives across the following growth pillars:

1. Renewable energy generation and storage
2. Smart energy services for consumers
3. Strategic partnership opportunities

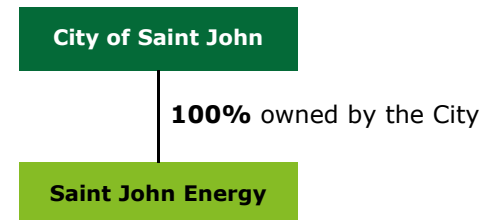
### Operating Metrics (2018)

<b>Number of Customers</b>	36.5K
<b>Annual Gigawatt hours</b>	950
<b>Total Revenue</b>	\$121.7M
<b>Net Income</b>	\$5.4M
<b>Net Promoter Score:</b> Customer's willingness to recommend Utilities products and services. ( <i>Poor -100</i> ) ( <i>Good +100</i> )	
<b>Saint John Energy</b>	<b>+25</b>
<b>Canadian Average</b>	<b>-25</b>

Source: Saint John Energy Annual Reports (2015 – 2018)

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## Organizational Structure



**Vision** – 'To empower people and communities so they thrive.'

**Mission** – 'We provide affordable, reliable and innovative solutions to our customers, helping them make informed choices so they can take control of their energy needs.'

## Offerings Overview

The current products and services offered by SJE include the following:

- **Electrical Sales:** Energy provider for residential and commercial customers
- **Consumer Products:** Water heater rental program and heat pump rental program
- **Lighting Services:** Area lighting
- **Other Miscellaneous:** Line cover-up and energy upgrade loans for energy efficient upgrades and heating systems

# Growth Agenda Overview | Planned Growth Initiatives

Saint John Energy's growth agenda and related plans outlines initiatives management is undertaking or planning to undertake. These initiatives are broadly categorized within three growth pillars.

## Overview

In response to the changing utility industry, SJE has identified various growth initiatives in which they have or are planning to undertake. These initiatives are categorized by growth pillars listed in the table below.

The overall objective of SJE's growth agenda is as follows:

- Continue to provide the benefits of low rates and service quality to customers.
- Strengthen the City of Saint John and surrounding regions through job creation and flow of surplus funds.
- Advances and further establishes the regional energy sector through various innovation efforts and partnerships.

Growth Pillars	Summary of Initiatives
<b>1. Renewable Generation and Storage</b>	<ol style="list-style-type: none"><li>1. Wind farm developments to bring new green energy (<i>e.g. Burchill Wind Project</i>)</li><li>2. Utility-scale energy storage to reduce peak energy costs (<i>e.g. Tesla batteries</i>)</li><li>3. Solar energy options for consumers (<i>e.g. Community Solar Farm</i>)</li></ol>
<b>2. Smart Services for Consumers</b>	<ol style="list-style-type: none"><li>4. Developing a Smart Grid for the City of Saint John (<i>e.g. Advancing the use of technology and innovation used on the grid and in customers homes/building</i>)</li><li>5. Advancing and offering smart/connected energy consumer products (<i>e.g. Hot water heaters, heat pumps, advanced batteries and electric vehicle chargers</i>)</li><li>6. Delivering new products and services beyond the City of Saint John</li></ol>
<b>3. Strategic Partnership Opportunities</b>	<ol style="list-style-type: none"><li>7. Partnering with research institutes, firms, and technology (<i>e.g. UNB, Tesla, CaSa, etc.</i>)</li><li>8. Launch SJE Centre for Innovation</li><li>9. Expanding utility services (<i>e.g. Field operations, engineering, asset management, control room operations, and managed utility technology</i>)</li></ol>

# Growth Agenda Overview | Renewable Generation and Storage

A total of three growth initiatives are outlined and demonstrates Saint John Energy's pursuit to provide consumers with renewable energy while reducing peak energy demand.

1. Local Embedded Wind Farm	2. Utility-Scale Energy Storage	3. Community Solar
<p><b>Context:</b></p> <ul style="list-style-type: none"> <li>SJE is in the planning stages of various wind farm projects.</li> <li>The first project is through a partnership with Natural Forces on the development of a \$60M wind farm located in the City's Spruce Lake Industrial Park. The wind farm is planned to consist of up to 10 turbines and generate 20 to 40 megawatts.</li> <li>Given the project stage, SJE has included this project into their financial forecast under both growth scenarios.</li> <li>Additional wind farm projects are forecasted into SJE's financial forecast under the high growth scenario.</li> </ul>	<p><b>Context:</b></p> <ul style="list-style-type: none"> <li>SJE is examining and has partnered with Tesla to install one of the largest utility scale batteries in the Atlantic region. This would allow the ability to capture and store electricity at low demand times and be reinjected when demand increases, reducing the peak-demand prices paid by SJE.</li> <li>In January 2020, SJE installed the 1.25MW Tesla Megaback Battery as a pilot project.</li> <li>This project is in the feasibility stages. As a result, SJE management have not included in their financial forecast for either growth scenario.</li> </ul>	<p><b>Context:</b></p> <ul style="list-style-type: none"> <li>SJE is in the planning stages of a large scale ground-mounted solar array project. Through this project, customers would have the ability to rent solar panels in the array and have the energy generated credited to their monthly energy bill.</li> <li>SJE is currently conducting a Photovoltaic (PV) pilot project to assess the feasibility of solar energy generation for the City. The project will only proceed once there is a strong business case.</li> <li>SJE management has included this project in their high growth financial forecast.</li> </ul>
<p><b>Potential Benefits:</b></p> <ul style="list-style-type: none"> <li>As a result of the wind farm, SJE is forecasting annual savings of \$3M to \$8M.</li> <li>The development would absorb a large portion of underutilized/developed land owned by the City.</li> </ul>	<p><b>Potential Benefits:</b></p> <ul style="list-style-type: none"> <li>Utility-scale storage would allow SJE to capture and utilize renewable energy more effectively.</li> <li>Lower peak-demand energy requirements would reduce NB Power's peak power generation.</li> </ul>	<p><b>Potential Benefits:</b></p> <ul style="list-style-type: none"> <li>Customers would have the ability to lower their energy bill while also benefitting the environment.</li> <li>The development would absorb a large portion of under utilized/developed land owned by the City.</li> </ul>
<p><b>Potential Barriers and Challenges:</b></p> <ul style="list-style-type: none"> <li>Risk that structure is not optimized</li> </ul>	<p><b>Potential Barriers and Challenges:</b></p> <ul style="list-style-type: none"> <li>Developing business case for further deployment. (e.g. Technical and financial feasibility)</li> </ul>	<p><b>Potential Barriers and Challenges:</b></p> <ul style="list-style-type: none"> <li>Delay in developing strong business case for execution.</li> <li>Difficulties in attaining strong consumer adoption and/or educating customers on mechanics / economics.</li> </ul>

# Growth Agenda Overview | Smart Energy Services for Consumers

A total of four growth initiatives are outlined which demonstrates Saint John Energy's pursuit to provide consumers with modern and efficient products and services.

4. Smart Energy Consumer Products	5. Managed Solar	6. Managed Electric Vehicle Charging	7. Managed Energy Storage
<b>Context:</b> <ul style="list-style-type: none"> <li>SJE currently offers consumer product programs such as hot water tanks and heat pumps.</li> <li>SJE is assessing additional smart, energy efficient versions of these products to increase energy efficiency and customer control.</li> <li>Given the project stage, SJE has included this project in their financial forecast under both growth scenarios.</li> </ul>	<b>Context:</b> <ul style="list-style-type: none"> <li>SJE is assessing the development of a rental program for solar panels to be installed on consumers residential and/or commercial buildings.</li> <li>The potential rental program is still in the conceptual stages. As a result, SJE management has not included in their financial forecast for either growth scenarios.</li> </ul>	<b>Context:</b> <ul style="list-style-type: none"> <li>SJE is currently assessing electric vehicle charging options to meet the expected shift in demand.</li> <li>This project is in the early conceptual stages. As a result, SJE management have not included in their financial forecast for either growth scenarios.</li> </ul>	<b>Context:</b> <ul style="list-style-type: none"> <li>SJE is assessing battery storage options for future residential consumers adopting renewable energy generation (e.g. Residential-scale battery system).</li> <li>The potential rental program is still in the conceptual stages. As a result, SJE management have not included in their financial forecast for either growth scenarios.</li> </ul>
<b>Potential Benefits:</b> <ul style="list-style-type: none"> <li>Consumers have greater access to the latest energy efficient products at an affordable price.</li> <li>Increased widespread efficiency would have a positive impact on the grid and peak-demand controlling.</li> </ul>	<b>Potential Benefits:</b> <ul style="list-style-type: none"> <li>Consumers have greater access to renewable energy sources.</li> <li>Rental program would offer consumers an affordable monthly rate rather than initial capital cost.</li> <li>Complements SJE's current energy efficiency programs.</li> </ul>	<b>Potential Benefits:</b> <ul style="list-style-type: none"> <li>Rental program would offer consumers an affordable monthly rate rather than an upfront investment.</li> <li>Complements SJE's current energy efficiency programs.</li> <li>Reduce and shift demand.</li> </ul>	<b>Potential Benefits:</b> <ul style="list-style-type: none"> <li>Rental program would offer consumers affordable monthly rate rather than an upfront investment.</li> <li>Complements SJE's current energy efficiency programs.</li> <li>Energy stored may offset the peak demand loads.</li> </ul>
<b>Potential Barriers and Challenges:</b> <ul style="list-style-type: none"> <li>Difficulties in attaining strong consumer adoption and/or ability to change consumer behavior.</li> </ul>	<b>Potential Barriers and Challenges:</b> <ul style="list-style-type: none"> <li>Difficulties in attaining strong consumer adoption and/or ability to change consumer behaviour.</li> <li>Delay in developing strong business case for execution. (Technical and financial feasibility)</li> <li>Resourcing constraints due to competing priorities or lack of adequate resources to successfully develop and/or execute on growth initiatives.</li> </ul>		

# Growth Agenda Overview | Strategic Partnerships

A total of three growth initiatives are outlined which demonstrates Saint John Energy's pursuit to establish strategic partnerships with organizations to further innovate and grow.

8. Research Centres, Firms and Tech.	9. SJE Centre for Innovation	10. Expand Utility Services
<p><b>Context:</b></p> <ul style="list-style-type: none"> <li>SJE is planning to continue establishing strategic partnerships with various organizations and institutes to further innovate and develop growth opportunities around future solutions to energy needs and challenges.</li> <li>In addition, collaboration with others will assist SJE in advancing their smart grid initiatives.</li> <li>Due to unknown financial variables SJE management has not included in their financial forecast for either growth scenarios.</li> </ul>	<p><b>Context:</b></p> <ul style="list-style-type: none"> <li>SJE is in the planning stages of their Centre for Innovation, which will foster the development of solutions and technology.</li> <li>The objective of the Centre will be to increase the efficiency and effectiveness of utility companies by forging joint ventures with industry leaders.</li> <li>This project is in the early planning/feasibility stages. As a result, SJE management has not included in their financial forecast for either growth scenarios.</li> </ul>	<p><b>Context:</b></p> <ul style="list-style-type: none"> <li>SJE is assessing the potential to expand services offered in field operations, engineering, asset management, control room operations, and managed utility technology services.</li> <li>This initiative is still in the early planning stages. However, given some of the known project assumptions SJE management has included some of these services their high growth financial forecast.</li> </ul>
<p><b>Potential Benefits:</b></p> <ul style="list-style-type: none"> <li>Consumers will benefit from an array of smart devices and products.</li> <li>Energy solutions which reduce and shift demand will have a positive impact on the grid and NB Power.</li> <li>Grow local renewable expertise and smart grid eco-system.</li> <li>Opportunities to partner with existing smart grid initiatives and provide innovation platform.</li> </ul>	<p><b>Potential Benefits:</b></p> <ul style="list-style-type: none"> <li>New entrepreneurial ventures would be forged through SJE's accelerator for innovation.</li> <li>Potential job creation by attracting companies to the region.</li> <li>Advance the regional energy sector and the companies operating within it.</li> <li>Grow local renewable expertise and smart grid eco-system.</li> <li>Potential for revenue diversification through royalties.</li> </ul>	<p><b>Potential Benefits:</b></p> <ul style="list-style-type: none"> <li>Consumers will benefit from additional service offerings.</li> <li>Potential job creation opportunities from new utility services.</li> <li>Potential synergy realizations by collaborating with partners in the Province on shared services.</li> </ul>
<p><b>Potential Barriers and Challenges:</b></p> <ul style="list-style-type: none"> <li>Resourcing constraints due to competing priorities or lack of adequate resources to successfully develop and/or execute.</li> </ul>		<p><b>Potential Barriers and Challenges:</b></p> <ul style="list-style-type: none"> <li>Resourcing constraints due to competing priorities or lack of adequate resources to successfully develop and/or execute on growth initiatives.</li> <li>Delay in developing strong business case for execution.</li> </ul>



# Growth Agenda Overview | Considerations for Success

Select barriers and challenges to operationalization were identified based on our discussions with various stakeholders throughout the engagement.

## Potential Barriers & Challenges

The table below provides a summary of the top barriers and challenges which will need to be mitigated/overcome before SJE can fully realize their vision for growth. However, there is an opportunity to expand collaboration with other stakeholders to mitigate these barriers and challenges which will assist SJE to realize their growth agenda and related plans.

Potential Barriers & Challenges	Description
<b>Regulatory / Legislative</b>	Due to the constraints and uncertainty in regards to the regulatory and legislative environment, SJE is currently limited in performing/pursuing certain activity (e.g. geographical limitations, electricity generation, dividend potential, etc.).
<b>Political Landscape</b>	SJE has spent significant time and resources in order to move forward on existing growth initiatives. Collaborating with key stakeholders will assist SJE in pursuing their growth agenda and realize the potential economic value generated for the province/region.
<b>Resourcing Effort</b>	SJE has a significant amount of projects identified and are actively pursuing. Therefore, SJE management will need to manage resources accordingly to ensure successful execution.
<b>Consumer Behavior and Adoption</b>	Potential difficulties in attaining strong consumer adoption and changing usage patterns may negatively impact SJE's ability to fully realize the forecasted benefits of various growth initiatives.
<b>Technological and Financial Feasibility</b>	Considering certain growth initiatives are still in the conceptual/feasibility stages of development, SJE management will need to prove the technological and financial feasibility before SJE can fully realize the potential benefits. For conservatism, financial results related to those growth initiatives are not included.

# Industry Benchmarking

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# Industry Benchmarking | Overview

In our review of SJE's growth agenda and related plans we performed a benchmarking exercise on the Power and Utilities industry, Canadian energy sector, and other municipal utilities operating across Canada.

## Benchmarking Overview

A benchmarking exercise was conducted in order to assess the reasonability of SJE's growth agenda. The scope of the benchmarking exercise included performing research and analysis in the following areas:

1. **Power and utility** industry to understand:
  - Overall trends, challenges, and opportunities
2. **Canadian energy sector** industry to understand:
  - Key trends, challenges, and opportunities
  - Current market structures
  - Major innovation and investment areas
  - Key trends facing municipal utilities
3. **Comparable municipal utility analysis** to investigate:
  - Corporate structures
  - Sources of revenues
  - Similar products and/or services offered
  - Alignment to SJE's growth agenda and related plans

The following section provides the key highlights of the industry benchmarking exercise. Please refer to **Appendices A and B** for the supporting details regarding the comparable municipal utility company analysis and Canadian energy sector investments.

## Comparable Municipal Utility Company Analysis

For the purposes of the benchmarking exercise, we have used the following municipal utilities.



The above municipal utilities were selected based on the below key variables / characteristics:

- **Business Mandate:** Municipal utility responsible for providing utility services to their respective municipalities.
- **Restructured corporate structure:** Holding company structure which is owned by their respective municipalities.
- **Size and diversity:** Varying degree of size of operations as well as service offerings.
- **Innovation:** Varying degree of adoption of innovation within their organizations.

# Industry Benchmarking | Power and Utilities Industry

The P&U industry has been undergoing significant change as the traditional centralized electricity systems are becoming increasingly decentralized due to technological innovations. As a result, P&U companies are identifying and executing on opportunities to better position themselves in the changing environment.

## Industry Overview

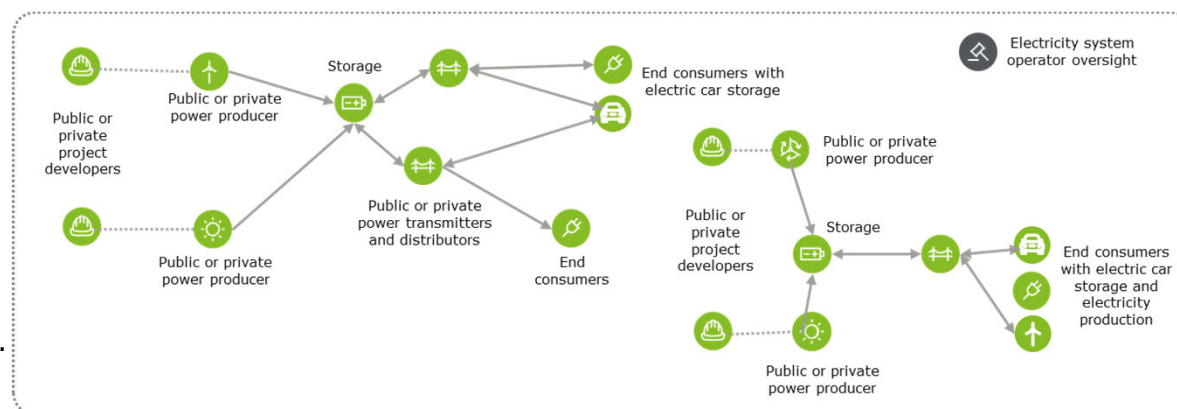
In recent years, power and utilities companies have been seeking growth by leading the clean energy transition. Most power companies see expanding opportunities to address growing customer interest in clean energy and find new ways to manage and control their energy use and costs. The following key trends and opportunities were identified in Deloitte's 2020 Power and Utilities industry outlook:

- 1. Sustainability:** Power and utility companies are expected to continue raising the bar on climate change goals; largely due to technological improvements, demand clean energy sources, and commitment to keep customers bills low.
- 2. Portfolio Optimization:** New opportunities to create value through distributed energy resources ("DER") strategies (e.g. own/operate, sell/rent, install/maintain).
- 3. Business Model Transformation:** New technologies, evolving customer preferences, and the changing competitive landscape are leading many power companies to explore new business models (e.g. transactive energy models).
- 4. Core Growth:** Utilities in many cities have already installed smart grid infrastructure. The logical next step is to use their expertise, experience, and technology investments to advance their community's smart city initiatives.
- 5. Strategic Planning:** The industry sees significant potential in the transportation sector. Power and utility companies are expected to continue to invest in charging infrastructure and to accelerate plans to manage electric vehicle load.

## Decentralized Electricity Systems

Traditional centralized electricity systems often mean a one-way provision of electricity from power producers to industrial and end consumers. Key areas of change include:

- New **types** and **sources** of electricity and the **decentralization** of the electricity grid.
- Improving **energy storage** capabilities.
- Focus on **demand-side** management and **load shifting**.



# Industry Benchmarking | Canadian Energy Sector

Despite the differences across jurisdictions Canada's energy sector as a whole is undergoing a modernization process which has stimulated utility companies, including municipal utilities, to participate in the evolution through the development and adoption of clean/energy efficient technologies.

## Overview

Data acquired through a recent report by MaRS Discovery District on behalf of NRCAN provided key insights in regards to the Canadian electricity market. Key observations include:

- National energy mix predominantly generated in the form of hydro, nuclear, and coal. However, the Canadian government has been actively pursuing grid modernization and decentralization.
- Across Canada there are two primary market structures within each province.
  1. Vertically integrated: Operated by publicly owned monopolies which own the electricity market in the province (e.g. NB Power).
  2. Restructured: Independent system operators ("ISO") manage the transmission system and set wholesale market prices. These systems are managed by utilities or local distribution companies ("LDC's").
- The industry is undergoing a modernization process as utility companies have looked to integrate smart grid technologies such as:
  - Advanced metering infrastructure
  - New rate options
  - Demand response
  - Distributed energy source
  - Self-healing grid
  - Micro grid

**Source:** Energy Market Information Report: Canada, MaRS Advanced Energy Centre

## Key Issues Facing Municipal Utilities

In 2016, the Electricity Distributors Association ("EDA") conducted a survey of its LDC members in Ontario. The table below summarizes the feedback on the key issues/challenges.

### Industry Trends

Respondents expressed a strong desire by LDC's to expand their businesses such as:

- Shared service models
- Joint ventures
- New lines of business within existing organization

### Scope of Services

Respondents expressed a strong interest in ownership of new and emerging technologies such as:

- Renewable generation and storage
- Smart grid initiatives and electric vehicle infrastructure
- Micro grid initiatives

### Key Challenges

Respondents indicated the top challenges currently faced include:

- Regulatory/compliance
- Meeting customer services/expectations
- Government policies/political pressure

### Key Opportunities

Respondents expressed the top growth areas to be:

- Increased focus on small scale energy production/distribution (Community power initiatives, Micro grids, etc.)
- Increase range of services
- Improved/advanced technology

# Industry Benchmarking | Investment in Energy Innovation

The Government of Canada has committed to investing in clean technologies and increasing energy efficiency. Across Canada, over 190 energy innovation projects have received government funding support.

## Overview

In 2017-2018, National Resources Canada ("NRCAN") reported over \$799M was spent on energy research, development, and deployment by various governments.

As of part of Canada's investment in energy innovation the Federal government has implemented various funding, grant and incentive programs. Current energy-related programs include:

- Energy Innovation Program
- Clean Growth in Natural Resource Sectors Program
- **Green Infrastructure Phase II**
- Program of Energy Research and Development
- Electric Vehicle Infrastructure Demonstrations

In particular, programs offered under the **Green Infrastructure Phase II** include:

- **EV Infrastructure Demonstrations:** Up to \$15M for EV charging and hydrogen refueling infrastructure demonstration projects.
- **EV and Alternative Fuel Infrastructure Deployment Initiative:** \$96.4M to support establishment of a coast-to-coast charging network.
- **Smart Grids:** Up to \$100M to support utility-led projects
- **Energy Efficient Buildings R&D:** \$182M to support increasing energy efficiency.
- **Emerging Renewable Power:** Up to \$200M to support and expand commercially viable renewable energy sources.

## Investment in Energy Innovation

As of December 16, 2019 NCRAN reported a **192** energy innovation projects across Canada. The table below provides a breakdown by province as well as the types of projects. Please refer to **Appendix B** for a list of all projects by province.

Province	Select Energy Innovation Project Types
British Columbia	EV infrastructure, business intelligence platform, integrated energy, energy storage, and demand response
Alberta	Tailings management, integrating distribution, and business intelligence platform
Saskatchewan	Wind generation and storage, and low temperature geothermal
Ontario	Tailings management, transactive grid, MicroGrid projects, business intelligence platform, utility scale storage, and wind/solar generation
Quebec	Microgrid projects, EV charging, managed energy storage, wind generation, and integrated technologies
New Brunswick	Integrated resource network, grid innovation, load control technology, and dynamic voltage control
Nova Scotia	Grid innovation, load control, and tidal energy projects
Prince Edward Island	Load control and virtual wind generation

# Industry Benchmarking | Municipal Utility Companies

Across the selected municipal utility companies there is an overall alignment and consistency in regards to Saint John Energy's growth agenda and related plans.

## Key Research Highlights

Based on our review of the publicly available information related to selected municipal utility companies we have made the following observations as it relates to SJE growth pillars.

1. Renewable Generation and Storage – All benchmarked companies have implemented and/or view renewable generation and storage as a high priority growth item.
2. Smart Energy Products and Services – Although the benchmarked companies are in various stages in their smart grid journey they all offer some level of smart energy products and/or services.
3. Strategic Partnerships – All benchmarked companies view strategic partnerships as enablers for growth and innovation. We have observed varying degrees of willingness to expand in utility services.

Legend
<b>High Alignment:</b> Strong similarities in activities when compared to SJE's growth agenda and related plans.
<b>Moderate Alignment:</b> Some similarities in activities when compared to SJE's growth agenda and related plans.

Growth Pillar and Initiatives	EPCOR	ENMAX	Toronto Hydro	Hydro Ottawa	Oakville Enterprise Corporation	ENWIN	London Hydro	Alectra Utilities
<b>1. Renewable Generation and Storage</b>								
Wind energy projects								
Utility-scale storage								
Community solar								
<b>2. Smart Energy Services for Consumers</b>								
Smart grid investments								
Smart consumer products								
Managed solar, EV charging and storage programs								
<b>3. Strategic Partnership Opportunities</b>								
Partner with industry and academia								
Centre for innovation								
Expanded utility services								

Please refer to **Appendix A** for details in regards to the comparable company information and key findings/observations.

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# Economic Development (“ED”) Considerations

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# ED Considerations | Overview

We have reviewed the recent economic impact assessment report on their historical and future operations. In addition, we have held discussions with various economic development agencies/industry associations to gain their perspective on Saint John Energy's growth agenda and related plans.

## Introduction

As part of the growth agenda review, we were requested to consider the potential economic development opportunities. To develop an understanding of the potential opportunities we performed the following activities:

- We worked with management to identify the key assumptions related to capital expenditures and labour requirements (full-time equivalents).
- We reviewed and extrapolated the key insights from the economic impact assessment conducted by Jupia in January 2020.
- We held information gathering sessions with various economic development agencies, government departments, and industry associations to obtain feedback/insights in regards to SJE's growth agenda.

The organizations below participated in the information gathering sessions.



Canadian Electricity Association  
Association canadienne de l'électricité



Departments included:

- Finance
- Energy
- Natural Resources and Energy Development



SJE Board Member

## Approach Overview

Collaborating with SJE and the City of Saint John to gather quantitative and qualitative economic development data in relation to SJE's growth agenda.

Overall, our approach included two primary steps as listed below.

- 1. Economic Impact:** Reviewed the recent work completed by Jupia for SJE we selected key points in relation to the forecasted (2019 to 2029) economic impact of SJE within the City and the province of New Brunswick under the following growth scenarios:

- a) *Baseline Growth*
- b) *Moderate Growth*
- c) *High Growth*

- 2. Feedback Gathering:** Conducted a series of information gathering sessions with the adjacent organizations/departments. Key questions and areas of discussion included:

- a) *Current relationship with SJE*
- b) *Potential workforce and economic benefit*
- c) *Barrier to success/operationalize*
- d) *Collaboration opportunities with other regional companies/organizations*

# ED Considerations | Historical Economic Impact

Over the past four years (2015-2018), Saint John Energy's operations are estimated to have contributed \$457.0M to the provincial GDP. Furthermore, the Saint John region has 2.8x as many individuals working in the electricity generation, transmission, and distribution industry compared to the Canadian average.

## Historical Impact Summary

The estimated economic impact from SJE's historical operations over the past four years primarily consist revenue generated from existing streams (Electrical sales, consumer product rentals, lighting services, and other miscellaneous revenue) and capital expenditures.

## Historical Economic Impact

According to Jupia, over the past four years (2015-2018) SJE's operations have had the following impact on the provincial economy:

- **\$379.3M** in total gross domestic product ("GDP")
- **\$139.9M** in total labour income
- **\$82.1M** in total taxes
- **\$103.9M** in consumer expenditures

## Additional Economic Considerations

The overall Saint John electric utility sector acts as an important economic contributor. Statistics Canada reported that 1,100 people work directly in the Saint John electricity generation, transmission, and distribution industry; of which 10% are employed by SJE.

In addition, this workforce subset are highly skilled workers which are paid a premium relative to other industry's. For instance, Statistics Canada reported the industries which earn the highest wage premium to be:

- **111%** Data processing and related services
- **109%** Specialized financial services
- **77%** Paper manufacturing
- **74%** Electric power generation, transmission, and distribution

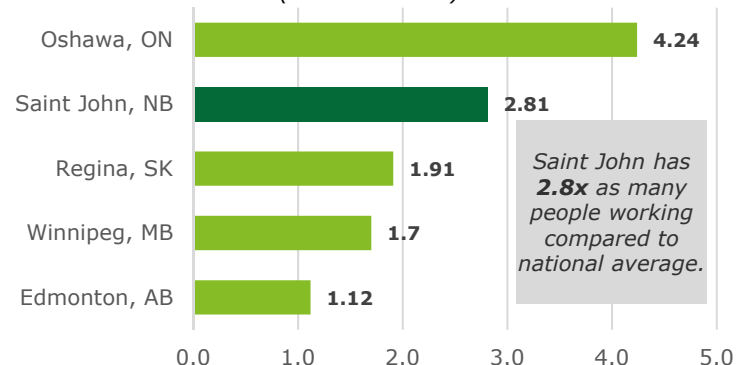
## Historical Financial Inputs (\$Millions)

A:Actual	Total Revenues	Labour Costs	Capital Expenditures
<b>2015A</b>	111.2	11.0	5.0
<b>2016A</b>	110.0	12.6	3.6
<b>2017A</b>	114.1	13.8	11.3
<b>2018A</b>	121.7	14.8	10.0
<b>TOTAL</b>	<b>457.0</b>	<b>51.9</b>	<b>39.9</b>

Source: Saint John Energy Economic Impact Assessment – Jupia Consultants Inc.

## Employment Index

Electricity generation, transmission, and distribution industry  
(Canada = 1.00)



Source: Saint John Energy Economic Impact Assessment – Jupia Consultants Inc.

# ED Considerations | Baseline Growth Economic Impact

Over the forecasted 10-year period, Saint John Energy's operations are estimated to contribute a cumulative total of \$1.2B to the provincial GDP.

## Baseline Growth Summary

The estimated economic impact from SJE's future operations under the baseline growth scenario is based off the following:

- Four years of actual performance (2015 – 2018)
- Six years of forecasted performance (2019 – 2024), which assumed a marginal growth of 2% annually.

## Projected Economic Impact

According to Jupia, over the 10-year forecast (2015-2024) SJE's operations are projected to have the following impact to the provincial economy:

- **\$1,005M** in total gross domestic product ("GDP")
- **\$371M** in total labour income
- **\$217M** in total taxes
- **\$275M** in consumer expenditures

## Forecasted Financial Inputs (\$Millions)

	A:Actual F:Forecast	Total Revenues	Labour Costs	Capital Expenditures
<b>2015A</b>		111.2	11.0	5.0
<b>2016A</b>		110.0	12.6	13.6
<b>2017A</b>		114.1	13.5	11.3
<b>2018A</b>		121.7	14.8	10.0
<b>2019F</b>		119.3	13.5	11.7
<b>2020F</b>		120.8	14.0	9.3
<b>2021F</b>		123.8	14.5	11.7
<b>2022F</b>		126.9	15.1	11.6
<b>2023F</b>		129.1	15.7	8.4
<b>2024F</b>		131.1	16.3	7.4
<b>TOTAL</b>		<b>1,208</b>	<b>141.0</b>	<b>100.0</b>

Source: Saint John Energy Economic Impact Assessment – Jupia Consultants Inc.

# ED Considerations | Moderate Growth Economic Impact

Over the forecasted 10-year period, Saint John Energy's operations are estimated to contribute a cumulative total of \$1.2B to the provincial GDP. Aside from their core operations, the primary contributor to the economic value stems from the Burchill wind project.

## Moderate Growth Summary

The estimated economic impact from SJE's future operations under the moderate growth scenario is based off the following:

- Continued growth in core operations (e.g. Distribution)
- Increase in consumer products revenue (e.g. rental programs)
- Smart grid investments (e.g. NRCAN projects)
- Wind energy generation (e.g. Burchill wind farm)

## Projected Economic Impact

According to Jupia, over the 10-year forecast (2020-2029) SJE's operations are projected to have the following impact to the provincial economy:

- **\$1,218.6M** in total gross domestic product ("GDP")
- **\$448.2M** in total labour income
- **\$264.7M** in total taxes
- **\$333.0M** in consumer expenditures

## Forecasted Financial Inputs (\$Millions)

F:Forecast	Total Revenues	Labour Costs	Capital Expenditures
<b>2020F</b>	121.1	12.3	23.2
<b>2021F</b>	124.5	13.6	23.1
<b>2022F</b>	140.2	14.3	28.1
<b>2023F</b>	143.1	14.9	11.1
<b>2024F</b>	145.5	15.5	9.2
<b>2025F</b>	147.9	16.1	9.0
<b>2026F</b>	150.3	16.6	11.0
<b>2027F</b>	152.8	17.3	9.0
<b>2028F</b>	155.3	18.0	10.6
<b>2029F</b>	157.9	18.4	10.6
<b>TOTAL</b>	<b>1,438.6</b>	<b>157.0</b>	<b>144.9</b>

Source: Saint John Energy Economic Impact Assessment – Jupia Consultants Inc.

# ED Considerations | High Growth Economic Impact

Over the forecasted 10-year period, SJE's operations are estimated to contribute a cumulative total of \$1.4B to the provincial GDP. Aside from core operations, the primary contributor to the economic value stems from various renewable energy projects (wind and solar).

## High Growth Summary

The estimated economic impact from SJE's future operations under the high growth scenario is based on the following:

- All projects included in the moderate growth scenario
- Additional wind energy (inside and outside of Saint John)
- Community solar program
- Additional utility services

## Projected Economic Impact

According to Jupia, over the 10-year forecast (2020-2029) SJE's operations are projected to have the following impact to the provincial economy:

- **\$1,406.4M** in total gross domestic product ("GDP")
- **\$515.6M** in total labour income
- **\$305.7M** in total taxes
- **\$383.0M** in consumer expenditures

## Forecasted Financial Inputs (\$Millions)

F:Forecast	Total Revenues	Labour Costs	Capital Expenditures
<b>2020F</b>	121.1	12.3	23.2
<b>2021F</b>	127.7	13.6	31.9
<b>2022F</b>	146.2	14.3	45.3
<b>2023F</b>	157.8	14.9	28.7
<b>2024F</b>	161.5	15.5	25.4
<b>2025F</b>	174.8	16.1	14.0
<b>2026F</b>	178.3	16.6	14.0
<b>2027F</b>	182.1	17.3	12.2
<b>2028F</b>	185.7	18.0	13.0
<b>2029F</b>	189.5	18.4	12.6
<b>TOTAL</b>	<b>1,624.7</b>	<b>157.0</b>	<b>220.3</b>

Source: Saint John Energy Economic Impact Assessment – Jupia Consultants Inc.

# ED Considerations | Overall Economic Impact

The forecasted economic impact assessment conducted by Jupia Consultant indicates the positive economic contribution of Saint John Energy's operations. Furthermore, additional economic value is observed when considering the differences between the baseline and high growth scenarios.

## Overall Economic Impact

Further assessment of the difference between the **baseline** and **high growth** scenario in the 10-year total forecasted economic impact illustrate the positive impact from SJE's growth agenda and related plans.

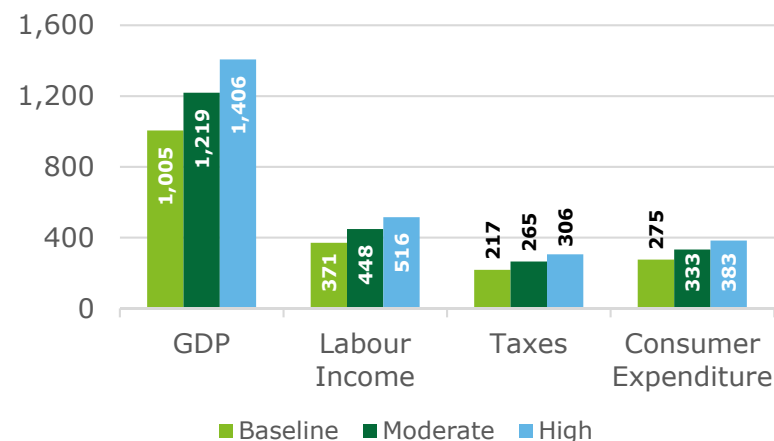
- \$400.9M or 39.9% total increase in GDP
- \$144.8M or 39.0% total increase in total labour costs
- \$88.3M or 30.1% total increase in total taxes

However, additional items should be considered when assessing SJE's total economic impact:

- **Lower rates** – Saint John customers save approximately \$10M annually due to the lower rates provided by SJE.
- **Trusted Advisor** – SJE offers free energy advising services to customers to help them improve their home efficiency.
- **Charitable Giving** – SJE is forecasted to provide a total of \$1.8M to charities over the next 10-year period.
- **Dividend Potential** – SJE management have indicated the potential of a dividend of \$17M to \$48M over the course of the 10-year period, pending legislative changes.

Regardless of the growth scenario, it is apparent that SJE provides a positive economic contribution to the City of Saint John as well as the province of New Brunswick.

## Forecasted Outputs | 10-Year Total by Scenario (\$Millions)



## Forecasted Outputs Variance | By Scenario (\$Millions)

Output Variance	Baseline to Moderate	Moderate to High	Baseline to High
GDP	213.2	187.8	400.9
Labour Income	77.4	67.4	144.8
Taxes	47.3	41.0	88.3
Consumer Expenditure	57.7	50.0	107.7

Source: Saint John Energy Economic Impact Assessment – Jupia Consultants Inc.

# ED Considerations | Feedback Gathering

As part of the review of SJE's growth agenda and related plans we have interviewed 8 different organizations to gain their perspective on the potential economic development opportunities.

## Introduction

As part of the SJE's growth agenda review, the City has requested as part of the review to consider the potential economic development opportunities to gain insights and perspectives from various economic development agencies, government departments, and industry associations in regards to SJE's growth plan/initiatives.

The purpose of these meetings were to obtain the relevant perspectives and points of view on SJE's growth plan around the following three growth pillars:

1. Renewable Generation and Storage
2. Smart Energy Services for Consumers
3. Strategic Partnership Opportunities

The key areas of discussion in relation to SJE's growth agenda and related plans included:

- A. Current relationship with SJE** – Current or past experience and/or initiatives
- B. Potential economic benefit** – Perspective and point of view on the potential economic value
- C. Barriers to success/operationalization** – The potential challenges and/or considerations
- D. Collaboration opportunities** – Perspective and point of view on any opportunities for SJE to partner/collaborate with other regional companies or organizations

The organizations below participated in the information sessions.



Canadian  
Electricity  
Association  
Association  
canadienne  
de l'électricité



Departments included:

- Finance
- Energy
- Natural Resources and Energy Development



SJE Board Member

# ED Considerations | Feedback Gathering

As part of the review of SJE's growth agenda and related plans we have interviewed 8 different organizations to gain their perspective on the potential economic development opportunities.

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## Information Gather Session Overview

A total of **8 organizations** took part of the feedback gathering sessions. The summary below captures the feedback obtained from these organizations.

### Relationship with SJE

*The majority of participating organizations indicated they had some experience in working with SJE on past initiatives.*

### Economic Value

*The majority of participating organizations foresee some economic spin-off opportunities such as:*

- *Attraction of businesses to the region*
- *Indirect benefits across the supporting supply chain*
- *Strengthening the regional energy industry*
- *Development of an innovation district for energy with speed to market*
- *Resulting economic spin-offs from new businesses, jobs and population growth*

### Barriers to Growth

*The majority of participating organizations reported the following barriers:*

- *Regulatory/legislative challenges which reduce SJE's ability to execute on growth initiatives*
- *SJE has historically collaborated with various stakeholders. However, difficulties in collaborating with key stakeholders may impact timing of execution*
- *Benefit realization and overall provincial impact could be minimized absent coordination across key stakeholder groups*
- *Misinformed consumers which could impact adoption rate*

### Collaboration Opportunities

*The majority of participating organizations indicated some collaboration opportunities:*

- *Continued strategic partnerships with key companies (e.g. Tesla, CaSa, etc.)*
- *Leveraging Saint John's industrial base as a test hub for innovation*
- *Regional utility joint efforts (e.g. NB Power, NS Power, etc.) in areas such as joint ventures on projects, innovation acceleration, optimization of product/service delivery and synergy realization through shared service collaboration*



# Appendices

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# Appendices

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# Appendix A – Municipal Utility Benchmarking

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# Appendix A | EPCOR Utilities Inc.



## Company Overview

EPCOR builds, owns, and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities, sanitary and stormwater systems, and infrastructure in Canada and the United States.

EPCOR provides energy services to 600K customers, electricity distribution to 380K customers, and water and wastewater services to 360K customers.

The City of Edmonton owns 100% of EPCOR and receives a quarterly dividend based on percentage of net income that is reviewed annually by the City of Edmonton. This dividend has grown from \$62.3M in 1996 to \$171M in 2019.

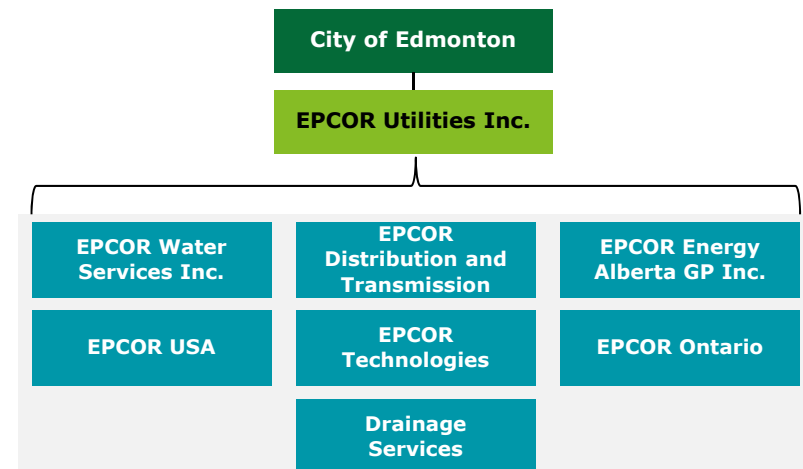
## Operating Metrics (2018)

<b>Number of Customers</b>	+2M
<b>Total Revenue</b>	\$1.8B
<b>Net Income</b>	\$295M
<b>Dividend</b>	\$166M

**Source:** EPCOR's 2018 Audited Consolidated Financial Statements

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## Organizational Structure



## Offerings Overview

The current services offered by EPCOR include the following:

- Energy provider for residential and commercial customers
- Sales and distribution of natural gas to residential, and commercial customers
- Commercial and residential water services, which include services for water mains, fire hydrants, valves, manholes, leak detection and drainage
- Flood mitigation and prevention services
- Communication systems, lighting systems, signal systems, and power systems
- Engineering, construction, and maintenance services for infrastructure projects

# Appendix A | EPCOR Utilities Inc.



Strategic Initiative Category	Relevant Comparators (if any)
<p><b>Renewable Generation and Storage</b></p> <p>Alignment to SJE's initiatives</p> <ul style="list-style-type: none"> <li>x Wind energy projects</li> <li>✓ Utility scale storage</li> <li>x Community solar</li> </ul> <p>Other relevant initiatives include:</p> <ul style="list-style-type: none"> <li>• Support services for micro-generation customers (e.g. Solar)</li> </ul>	<ul style="list-style-type: none"> <li>• Earlier this year, EPCOR received approval to construct and operate a solar farm including a battery energy storage system with the purpose of establishing a renewable energy source to help power their water treatment plant and distribution processes. The current design includes up to 45,000 solar panels which would generate enough energy to power over 2,800 homes.</li> <li>• Micro-generation (less than 5 MW) in Alberta allows consumers the right to generate their own electricity and supply it back to the electrical grid. Currently, EPCOR offers support services for consumers to ensure the energy produced is reliable and safe.</li> <li>• Over the next five years, EPCOR intends on investing in renewable energy (Solar and Bio gas facilities) generation within its geographical footprint.</li> <li>• EPCOR offers bundling services (ENCOR) which allows consumers the option to only receive energy produced from renewable sources.</li> </ul>
<p><b>Smart Energy Services for Consumers</b></p> <p>Alignment to SJE's initiatives</p> <ul style="list-style-type: none"> <li>✓ Smart grid initiatives (e.g. network infrastructure)</li> <li>x Smart consumer products</li> <li>x Managed services</li> </ul> <p>Other relevant initiatives include:</p> <ul style="list-style-type: none"> <li>• Support services for consumers adopting smart energy products and emerging technologies.</li> </ul>	<ul style="list-style-type: none"> <li>• In 2015, EPCOR began replacing existing meters with new Advanced Metering Infrastructure (AMI) which aligns with smart grid plan to improve operational efficiency, resource planning and system reliability.</li> <li>• In Ontario, EPCOR has established a net metering program for consumers who generate their own energy. The program offers customers the ability to reduce their energy bill and receive green energy credits based on the amount of energy provided to the electricity grid as well as reduces the need to purchase energy storage systems.</li> <li>• EPCOR currently does not provide services in relation to electric vehicles (EV) (e.g. EV charging stations). However, the company actively monitors the adoption of in-house EV charging installations to observe the loading impact to local infrastructure.</li> </ul>
<p><b>Strategic Partnership Opportunities</b></p> <p>Alignment to SJE's initiatives</p> <ul style="list-style-type: none"> <li>✓ Partnering with research institutes, firms, and technology</li> <li>x Centre for innovation</li> <li>✓ Unregulated operating entity (EPCOR technologies) to innovate</li> </ul>	<ul style="list-style-type: none"> <li>• In 2015, EPCOR partnered with the University of Alberta to perform a study on the impacts of distributed energy resources in their distribution network.</li> <li>• EPCOR Technologies offers integrated engineering, construction, and maintenance services to municipal and provincial governments, utilities and private companies. This company acts as an unregulated operating subsidiary of EPCOR Utilities Inc.</li> </ul>

**Sources:** Combination of Company website, Annual reports, Management Discussion & Analysis ("MD&A"), Annual Corporate Responsibility and Global Reporting Initiative's report

# Appendix A | ENMAX Corporation



## Company Overview

The ENMAX group of companies ("ENMAX") generates, transmits, distributes, and sells energy to select customers in Alberta. ENMAX is responsible for distributing electricity, natural gas, and renewable energy to more than 900,000 metered sites across Alberta.

At 2018, ENMAX employed 1,800 people and invested \$3.8M in the community through cash, employee volunteer time, and donations.

From 1998 to 2018, over \$1 billion in dividends have been contributed back to the City of Calgary, the sole shareholder. ENMAX's dividend policy is to pay out the greater of \$30M or 30% of prior year's net earnings, dependent on factors such as liquidity requirements and financial performance.

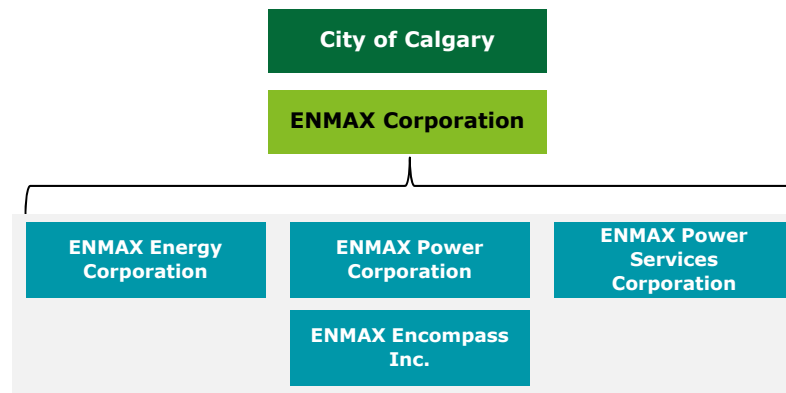
### Operating Metrics (2018)

<b>Number of Customers</b>	668M
<b>Total Revenue</b>	\$2.4B
<b>Net Income</b>	\$149.2M
<b>Dividend</b>	\$40M

**Source:** ENMAX Annual highlights and 2018 Audited Financial Statements

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## Organizational Structure



## Offerings Overview

The current services offered by ENMAX include the following:

- Electricity: Assists with providing energy options for home or business
- Renewable: Help power residential homes with green sources
- Meter: Meter reading, meter testing and repairs, meter install, and removals and upgrades
- Engineering and construction: Services for residential, commercial, and industrial projects
- Energy solutions: Providing energy and utility service solutions for energy plans, solar, telecommunications infrastructure, grid modernization, distributed energy and storage
- Municipal solutions: Assisting with municipal infrastructure, energy plans, alternative energy and customer support

# Appendix A | ENMAX Corporation



Strategic Initiative Category	Relevant Comparators (if any)
<b>Renewable Generation and Storage</b> Alignment to SJE's initiatives <ul style="list-style-type: none"> <li>✓ Wind energy projects</li> <li>✓ Utility-scale energy storage</li> <li>✓ Community solar</li> </ul> Other relevant initiatives include: <ul style="list-style-type: none"> <li>• Support services for micro-generating residential and commercial customers</li> <li>• Leading solar retailer (51% of Alberta's grid-connected solar)</li> </ul>	<ul style="list-style-type: none"> <li>• ENMAX is one of Alberta's largest investors in renewable energy through their co-ownership (50%) of the 75 MW McBride Lake wind farm, 100% ownership of the 80MW MW Taber, and 63 MW Kettles Hill wind farms.</li> <li>• Since 2009, ENMAX has provided consumers with the ability to purchase or lease solar generation system for their homes. However, the systems are not equipped with battery storage and instead connected to the grid.</li> <li>• Several solar installation projects have been conducted throughout various communities and municipalities. For instance, the Town of Raymond, Alberta leases solar panels from ENMAX generates the electricity needed to operate various municipal buildings and street lights.</li> <li>• ENMAX is in the process of performing a pilot project to demonstrate on-site solar generation (1MW) and a 2MWh lithium-ion battery storage at a gas plant.</li> <li>• ENMAX's Solar Program offers a way for communities to leverage solar as an alternative source to their energy needs. To date, over 1,000 solar systems have been installed.</li> </ul>
<b>Smart Energy Services for Consumers</b> Alignment to SJE's initiatives <ul style="list-style-type: none"> <li>✓ Smart grid initiatives</li> <li>✓ Consumer product programs</li> <li>✓ Managed services</li> </ul> Other relevant initiatives include: <ul style="list-style-type: none"> <li>• EV pilot program to study EV charging station impacts</li> </ul>	<ul style="list-style-type: none"> <li>• In 2018, Natural Resources Canada ("NRC") provided \$1.4M in funding to ENMAX for the development of a smart grid. The project is focused on integrating onsite distributed energy resources to the primary power grid.</li> <li>• In 2019, ENMAX Power launched the pilot program 'Charge Up' to study how consumers use EVs as well as their potential impact on the electricity system. As a part of the program, ENMAX will offset the cost of the equipment to the selected individuals and/or businesses. However, only approved vendors are allowed to install residential and commercial EV charging stations.</li> <li>• ENMAX Energy provides purchasing and leasing options of solar systems. ENMAX does include battery storage with the panels. ENMAX provides a 24-hour online platform to monitor the panel and provides installation, assistance with permits, equipment and commissioning of the system. To date, 600 solar systems have been installed which represents approximately 50% of the systems installed in Alberta.</li> </ul>
<b>Strategic Partnership Opportunities</b> Alignment to SJE's initiatives <ul style="list-style-type: none"> <li>✓ Partnerships and joint venture on projects and studies</li> <li>x Centre for innovation</li> <li>✓ Expanded utility services</li> </ul>	<ul style="list-style-type: none"> <li>• ENMAX entered into a joint venture with TransAlta Renewables, Inc. on the 74MW McBride Lake Wind Farm.</li> <li>• ENMAX partnered with the City of Calgary to establish a co-generation system for combined heat and power ("CHP") system.</li> <li>• In addition to traditional utility services, ENMAX currently provides the following services: Energy plans, solar installation programs, energy management services, infrastructure services, combined heat and power programs, and district energy.</li> </ul>

**Sources:** Combination of Company website, Annual reports, Management Discussion & Analysis ("MD&A"), Annual Corporate Responsibility and Global Reporting Initiative's report  
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# Appendix A | Toronto Hydro Corporation



## Company Overview

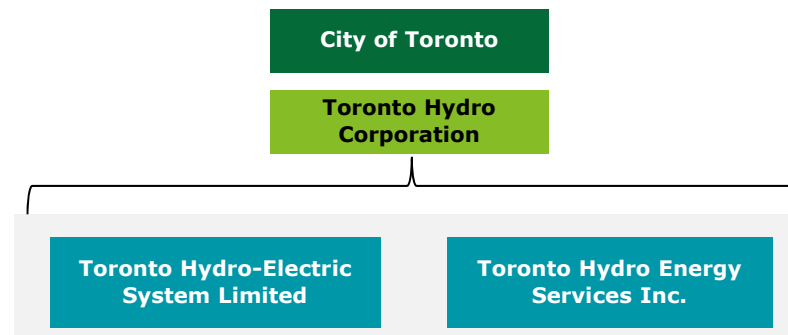
Toronto Hydro Corporation ("THC") owns and operates the electricity distribution system in Toronto that delivers electricity to approximately 18% of the electricity consumed within the province of Ontario.

Toronto Hydro Corporation wholly owns Toronto Hydro-Electric System Limited and Toronto Hydro Energy Services Inc.

THC is in the process of updating their grid. Since 2006, THC has invested \$5B into distribution equipment.

THC's dividend policy is to payout 50% of the consolidated prior fiscal year's annual consolidated net income or a minimum of \$25M per year paid in quarterly installments.

## Organizational Structure



## Operating Metrics (2018)

<b>Number of Customers</b>	772K
<b>Total Revenue</b>	\$3.5B
<b>Net Income</b>	\$167M
<b>Dividend</b>	\$93.9M

## Offerings Overview:

The current services offered by THC include the following:

- Energy provider for residential, commercial, and industrial customers
- Pole and duct rentals
- Delivery of street lighting and express way services

**Source:** Toronto Hydro 2018 Audited Financial Statements & 2018 Toronto Hydro-Electric System Limited, electricity distributor scorecard



# Appendix A | Toronto Hydro Corporation



Strategic Initiative Category	Relevant Comparators (if any)
<b>Renewable Generation and Storage</b> Alignment to SJE's initiatives ✓ Wind energy projects ✓ Utility-scale energy storage x Community solar  Other relevant initiatives include: • Examples of partnership with the municipality to pilot various initiatives.	<ul style="list-style-type: none"> <li>Toronto Hydro supports renewable generation within Toronto through infrastructure and direct project investments.                             <ul style="list-style-type: none"> <li><b>Enabling infrastructure:</b> Streamlined process for pre-assessing and commissioning renewable generation projects (2,050 between 2009 and 2018) as well as net metering for solar installations.</li> <li><b>Development projects:</b> Joint investments with the City of Toronto towards solar projects on city-owned facilities. Additional investments towards wind and solar investments of 1.2MW in 2018.</li> </ul> </li> <li>Partnering with the City of Toronto to pilot a combined solar and energy storage project.</li> <li>THC is also in the process of completing a 2MW battery energy storage system project.</li> </ul>
<b>Smart Energy Services for Consumers</b> Alignment to SJE's initiatives ✓ Smart grid initiatives ✓ Smart energy programs x Managed services  Other relevant initiatives include: • Electric Vehicle pilot program to study the impacts from residential charging stations	<ul style="list-style-type: none"> <li>THC has increased the availability of EV charging stations throughout the City of Toronto. In addition, the company is collaborating with various industry and government agencies to develop adequate strategies and policies to enable the greater adoption of EV.</li> <li>In 2016, THC started investing in their smart grid by installing pole-mounted energy storage devices. Other initiatives include connecting renewable generation facilities and metering related investments.</li> <li>Ontario has changed the delivery of conservation energy programs and it is now managed by the Independent Electricity System Operator ("IESO") and will be managed by the IESO until December 2020.</li> <li>The following are the previous programs that were available with THC before the change to IESO management: thermostat rebate program, residential new construction, heating and cooling program, pumpsaver, pool pump program, commercial refrigeration program, and other programs.</li> </ul>
<b>Strategic Partnership Opportunities</b> Alignment to SJE's initiatives ✓ Partnerships and joint ventures on projects and studies ✓ Centre for innovation ✓ Expanded utility services	<ul style="list-style-type: none"> <li>THC launched a pilot project with Hydrostor Inc. for the world's first underwater compressed air distribution system. The pilot project is being evaluated for a period of two years to review the cost effectiveness of the technology.</li> <li>THC has partnered with Sustainable Development Technology Canada, Ecamion, the University of Toronto, and Dow Kokam to develop and place large energy storage systems in Toronto communities. The units will be placed strategically in communities that require additional power. The units will also assist with the integration of renewables in Toronto by providing the ability to smooth out generation during varying environmental conditions.</li> <li>Toronto Hydro is one of the principal sponsors of the Centre for Urban Energy ("CUE") at Ryerson University. The mandate of the centre is to bring relevant stakeholders to collaborate and study urban energy.</li> </ul>

**Sources:** Combination of Company website, Annual reports, Management Discussion & Analysis ("MD&A"), Annual Corporate Responsibility and Global Reporting Initiative's report  
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# Appendix A | Hydro Ottawa Holdings Inc.



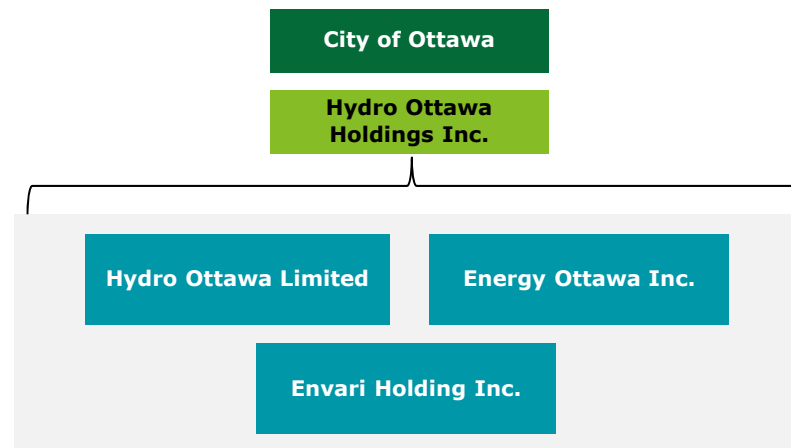
## Company Overview

The core businesses of Hydro Ottawa are electrical distribution, renewable energy generation, and energy and utility services.

Hydro Ottawa Holdings Inc. is a holding company incorporated by the City. The holding company is wholly owned by the City of Ottawa. Hydro Ottawa Limited, Energy Ottawa Inc. and Envari Holding Inc. are wholly owned subsidiaries of Hydro Ottawa Holdings Inc.

The Company's dividend policy is to pay out the greater of \$20M or 60% of its prior year net income.

## Organizational Structure



## Operating Metrics (2018)

<b>Number of Customers</b>	332K
<b>Total Revenue</b>	\$1.1B
<b>Net Income</b>	\$42M
<b>Dividend</b>	\$22.3M

## Offerings Overview

The current products and services offered by Ottawa Hydro include the following:

- Electricity distribution: Energy provider for residential and commercial customers
- Renewable Generation: Green power generation through solar, hydro electric, and landfill gas generation
- Energy Services: Providing solutions to help consumers, businesses and communities with energy generation and storage, conservation, energy management, efficient street lighting, and district energy
- Utility Services: Providing utility solutions to residential and commercial customers

Source: Ottawa Hydro 2018 Annual Report

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# Appendix A | Hydro Ottawa Holdings Inc.



Strategic Initiative Category	Relevant Comparators (if any)
<p><b>Renewable Generation and Storage</b></p> <p>Alignment to SJE's initiatives</p> <ul style="list-style-type: none"> <li>x Wind energy projects</li> <li>✓ Utility-scale energy storage</li> <li>✓ Community solar</li> </ul> <p>Other relevant initiatives include:</p> <ul style="list-style-type: none"> <li>• Examples of partnership with the municipality to pilot various initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Hydro Ottawa recently introduced the 'MiGen' pilot project, a transactive grid project that is currently in its first phase and will run until the end of 2020. Phase 1 consisted of the installation of solar panels, battery storage and the ability to send power back to the grid.</li> <li>• Total renewable generating assets installed capacity of 128MW through Energy Ottawa (under an affiliate company Portage Power) that operate several facilities, including: <ul style="list-style-type: none"> <li>○ Three hydro electric dams that generate 115.5MW per year.</li> <li>○ Eight solar installation with 8,861 panels that generate 2.3 MW per year.</li> <li>○ Two landfill gas generating stations, Trail Road Landfill opened 2007 and Moose Creek in 2013, that produce 10.2MW a year.</li> </ul> </li> </ul>
<p><b>Smart Energy Services for Consumers</b></p> <p>Alignment to SJE's initiatives</p> <ul style="list-style-type: none"> <li>✓ Smart grid initiatives</li> <li>✓ Smart energy programs and services</li> <li>✓ Managed services</li> </ul> <p>Other relevant initiatives include:</p> <ul style="list-style-type: none"> <li>• Innovative MiGen pilot to create a transactive grid.</li> </ul>	<ul style="list-style-type: none"> <li>• Hydro Ottawa is investing in smart grid initiatives including smart distribution grid and power system control technologies. Furthermore, the company is part of a Smart Grid consumer engagement project to evaluate energy management solutions such as smart thermostats, mobile applications, dashboards, and portals.</li> <li>• Homes with smart meter technology qualify for time of use rate plans. These plans promote using energy during off peak hours by offering a lower energy rate.</li> <li>• Various innovation programs include: Electric vehicle charger program, smart audio devices, MiGen microgrid, and green bonds.</li> <li>• Hydro Ottawa residential customers can choose to participate in an electric vehicle charging program which provides a discount on the price and installation costs.</li> </ul>
<p><b>Strategic Partnership Opportunities</b></p> <p>Alignment to SJE's initiatives</p> <ul style="list-style-type: none"> <li>✓ Partnerships and joint venture on projects and studies</li> <li>✓ Centre for innovation</li> <li>✓ Expanded utility services</li> </ul>	<ul style="list-style-type: none"> <li>• Hydro Ottawa is partnered with the Algonquin College powerline technician program to hire co-op students and alumni to go through the apprentice program and fill other positions.</li> <li>• Portage Power has partnered with Integrated Gas Recovery Services on two landfill generating facilities to simultaneously help reduce greenhouse gas emissions and generate electricity.</li> <li>• Partnership with Carleton University's Sustainable and Renewable Energy Engineering Department to establish a smart grid laboratory.</li> <li>• In 2017, Hydro Ottawa partnered with Tesla, for the installation of a super-charging stations at the Rideau Centre.</li> <li>• In 2014, a partnership between Hydro Ottawa and Pollution Probe was created to complete a study on the electric mobility adoption and prediction.</li> <li>• The MiGen project is being led by Hydro Ottawa but has over 20 partners including members of industry and universities.</li> </ul>

**Sources:** Combination of Company website, Annual reports, Management Discussion & Analysis ("MD&A"), Annual Corporate Responsibility and Global Reporting Initiative's report

# Appendix A | Oakville Enterprise Corporation



## Company Overview

Oakville Enterprises Corporation ("OEC") group of energy and infrastructure companies which serves municipalities, telecommunications, electrical distribution, and energy infrastructure businesses throughout Canada.

The Company provides electrical distribution, infrastructure, generation and energy services.

OEC is wholly owned by the City of Oakville and the company has paid \$10.2M back to the City of Oakville from 2016 to 2017.

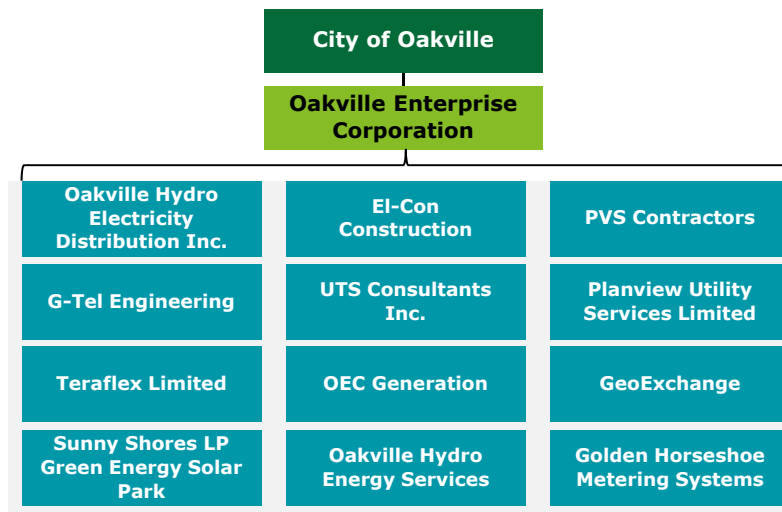
## Operating Metrics (2018)

<b>Number of Customers</b>	70K (Hydro 2018)
<b>Total Revenue</b>	\$239M
<b>Comprehensive Income</b>	\$9.4M
<b>Dividend</b>	\$5.9M

**Source:** OEC's 2017 Audited Consolidated Financial Statements

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## Organizational Structure



## Offerings Overview

The current products and services offered by OEC include the following:

- Energy generator and provider for residential and commercial customers
- Other utility services include: asset management, damage prevention, and utility engineering solutions, utility location, underground and civil construction, and GIS mobile and aerial mapping for municipalities, electricity, water, gas telecommunication and engineering companies
- Financing, installation, and management systems for commercial and residential customers
- Metering solutions and services

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# Appendix A | Oakville Enterprise Corporation



Strategic Initiative Category	Relevant Comparators (if any)
<p><b>Renewable Generation and Storage</b></p> <p>Alignment to SJE's initiatives</p> <ul style="list-style-type: none"> <li>x Wind energy projects</li> <li>✓ Utility-scale energy storage</li> <li>x Community solar</li> </ul> <p>Other relevant initiatives include:</p> <ul style="list-style-type: none"> <li>• Geo-exchange turnkey solution for new homeowners.</li> </ul>	<ul style="list-style-type: none"> <li>• In 2015, OEC invested \$50M in a 14MW ground mount solar park called Sunny Shores Green Energy Project. The grid has over 46,000 photovoltaic solar panels on 58 hectares of land.</li> <li>• OEC has installed rooftop solar panels on four town facilities which produce approximately 1 MW of energy. In addition, they operate a hydro electric dam that generates 3.5MW.</li> <li>• OEC is currently piloting the integration of EV charging and EV battery storage capacity on the grid.</li> <li>• In 2007, Oakville hydro energy services partnered with the Municipality of Halton to operate a landfill generation plant in Halton, Ontario. The plant produces 2.1MW which can supply energy for approximately 1,500 homes.</li> <li>• OCE is offering a comprehensive turnkey solution for new homes through their affiliated company Sandpiper Geo-exchange. These projects include installation of customized metering, geo-exchange heating unit, and solar panels for electricity.</li> </ul>
<p><b>Smart Energy Services for Consumers</b></p> <p>Alignment to SJE's initiatives</p> <ul style="list-style-type: none"> <li>✓ Smart grid initiatives</li> <li>✓ Smart energy programs and services</li> <li>✓ Managed services</li> </ul> <p>Other relevant initiatives include:</p> <ul style="list-style-type: none"> <li>• EV leasing program.</li> </ul>	<ul style="list-style-type: none"> <li>• Oakville Hydro has been investing in grid automation such as: upgrading distribution system, pilot project using the IntelliTeam technology, and various communication equipment (terminal units, automated metering infrastructure, etc.).</li> <li>In 2017, Oakville Hydro received funding from Ontario's Smart Grid Fund to be used for two projects: <ul style="list-style-type: none"> <li>○ <b>Automating Oakville's Downtown Grid</b> – The automated system upgrade will allow for automatic reconfiguration of the grid and can rapidly restore service to reduce and or eliminate power outages in the city after a system fault.</li> <li>○ <b>Unified Data Platform in the city</b> – The project is a digital platform that allows for informed decision making through the analysis of utility systems in a unified display. SmartMap technology helps uses metering and operational data to provide the analysis portion of the platform.</li> </ul> </li> <li>• OEC Energy Services Group assist customers in managing their energy cost through promoting consumer products and innovative technologies.</li> <li>• Oakville Hydro has two EV charging stations at their office. In addition, the company offers a leasing program for customers who want to install EV charging equipment.</li> <li>• Homes with smart meter technology qualify for time-of-use rate plans. These plans promote using energy during off peak hours by offering a lower energy rate.</li> <li>• OEC operates a Geo-exchange of assets and systems which finances, installs and manages systems for its customers.</li> </ul>
<p><b>Strategic Partnership Opportunities</b></p> <p>Alignment to SJE's initiatives</p> <ul style="list-style-type: none"> <li>✓ Partnerships and joint venture on projects and studies</li> <li>✓ Centre for innovation</li> <li>✓ Expanded utility services</li> </ul>	<ul style="list-style-type: none"> <li>• OEC's infrastructure group has six companies that deliver construction, asset management, engineering, mobile and aerial mapping as well as utility location and services.</li> <li>• OCE is a partner of the GridSmartCity consortium focused on productivity and efficiency improvements, advancing smart grids, piloting new technologies, and community energy planning. Other partners within the consortium include LDCs, smart grid innovators, government and academia.</li> <li>• Oakville Hydro is partnering with Essex Powerlines on the implementation of a digital platform as well as the SmartMap system.</li> </ul>

**Sources:** Combination of Company website, Annual reports, Management Discussion & Analysis ("MD&A"), Annual Corporate Responsibility and Global Reporting Initiative's report

# Appendix A | Windsor Canada Utilities Ltd.



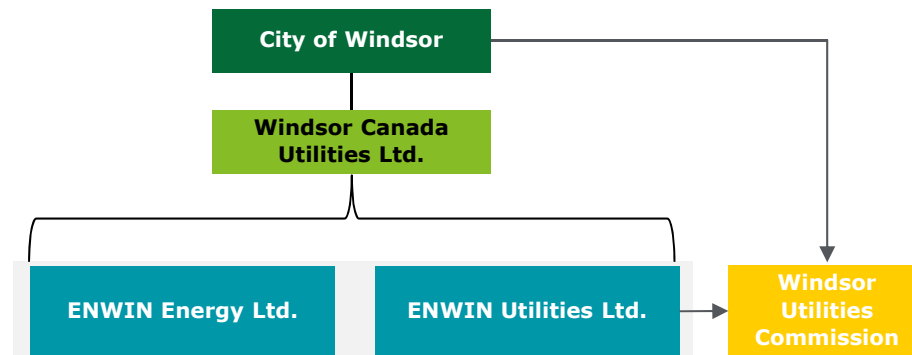
## Company Overview

ENWIN Utilities Ltd. (ENWIN) is the electrical distributor for the City of Windsor. ENWIN is responsible for the local distribution of electricity and the service and maintenance of the local electricity distribution infrastructure.

ENWIN Energy Ltd provides streetlight maintenance services and engages in partnerships to offer energy related services.

The company's 2022 strategic plan consists of taking a more customer-centric, decentralized, environmentally sustainable and technologically advanced approach to reach its growth goals.

## Organizational Structure



**Note** – ENWIN has a service contract with the Windsor Utilities commission to operate and sustain the water system.

## Operating Metrics (2018)

<b>Number of Customers</b>	89K
<b>Total Revenue</b>	\$328M
<b>Net Income</b>	\$8.4M
<b>Dividend</b>	\$4M

## Offerings Overview

The current services offered by ENWIN include the following:

- Energy provider for residential and commercial customers
- Service and maintenance of the local electricity distribution infrastructure
- Provide streetlight and sentinel light maintenance services as well as offering energy related services through strategic partnerships
- Manage Windsor Utilities Commission's administrative and operational functions as well as the supply of water to the respective jurisdictions

**Source:** ENWIN's 2018 Audited Consolidated Financial Statements  
2 – 2018 EnWin Utilities Ltd., electricity distributor scorecard  
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# Appendix A | Windsor Canada Utilities Ltd.



Strategic Initiative Category	Relevant Comparators (if any)
<b>Renewable Generation and Storage</b> Alignment to SJE's initiatives x Wind energy projects x Solar energy options for consumers x Utility-scale energy storage	<ul style="list-style-type: none"> <li>ENWIN is currently not involved in renewable generation and storage of electricity, however, they do support the installation of solar panels through the Province's Feed-In-Tariff programs.</li> <li>In 2018, a total of 592 new load customers and 109 generation customers were connected by the company.</li> <li>ENWIN is currently not involved in any utility-scale energy storage projects.</li> </ul>
<b>Smart Energy Services for Consumers</b> Alignment to SJE's initiatives ✓ Smart grid initiatives ✓ Smart energy programs and services x Managed services	<ul style="list-style-type: none"> <li>ENWIN homes and businesses with smart meter technology qualify for time of use rate plans. These plans promote using energy during off peak hours by offering a lower energy rate.</li> <li>ENWIN offers a net metering program for consumers who generate renewable energy. The program offers the option for customers with renewable generating capabilities to sell their excess power back to the grid and receive a credit on their power bill.</li> </ul>
<b>Strategic Partnership Opportunities</b> Alignment to SJE's initiatives ✓ Partnerships and joint venture on projects and studies ✓ Centre for innovation ✓ Expanded utility services	<ul style="list-style-type: none"> <li>In 2018, ENWIN partnered with WEtech Alliance to participate in a program called ENnovation Catalysts. The program consisted of WEtech Alliance coaching and assisting a select number of frontline employees at ENWIN to present to ENWIN's executive team. Employees presented on issues and challenges faced at ENWIN and how they could test, create solutions, and develop business cases for their ideas.</li> <li>In 2013, ENWIN partnered with St. Claire College to provide placements for technician students.</li> <li>As a partner of the GridSmartCity group ENWIN has leveraged there membership to realize cost savings through a joint tendering for electrical distribution system equipment.</li> <li>In 2018, ENWIN partnered with the Detroit Bridge Authority to complete an electrical infrastructure for the Canadian Plaza. The project was to connect local highways to the new Gordie Howe International bridge to from Windsor to Detroit.</li> <li>In 2018, the Natural Sciences and Engineering Council of Canada gave ENWIN and the University of Windsor \$5.5 million to further develop the product and prep it for retail. The product will be brought to market under the name of ONtech Rapid Coatings, a collaboration between the Tessonics and ENWIN. The new company will market product across North America to players in the utility, automotive, shipbuilding, aerospace, and pipeline industries.</li> </ul>

**Sources:** Combination of Company website, Annual reports, Management Discussion & Analysis ("MD&A"), Annual Corporate Responsibility and Global Reporting Initiative's report

# Appendix A | London Hydro



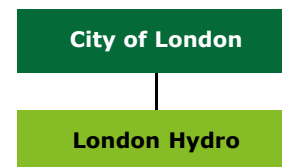
## Company Overview

London Hydro Inc. is a municipally-owned hydro distribution company that is wholly owned by the City of London.

London Hydro's strategic plan is to focus on investments in smart technologies such as smart meters, time-of-use billing, renewable energy and smart grid initiatives.

In the last two years, London Hydro has declared dividends in the amount of \$5M back to the City of London. London Hydro has consistently declared an annual dividend of \$5M and in specific circumstances an additional special dividend can be declared.

## Organizational Structure



## Operating Metrics (2018)

<b>Number of Customers</b>	159K
<b>Total Revenue</b>	\$424M
<b>Net Income</b>	\$12.9M
<b>Dividend</b>	\$5M

## Offerings Overview

The current services offered by London Hydro include the following:

- Energy provider for residential and commercial customers

**Source:** London Hydro's 2018 Audited Financial Statements

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# Appendix A | London Hydro



Strategic Initiative Category	Relevant Comparators (if any)
<b>Renewable Generation and Storage</b> Alignment to SJE's initiatives x Wind energy projects ✓ Utility-scale energy storage x Community solar	<ul style="list-style-type: none"> <li>In 2017, the company started developing 14 ground mounted solar photovoltaic projects in 4 different municipalities in Ontario.</li> <li>To support provincial carbon reduction goals, London Hydro has facilitated renewable energy projects including 365 customer-owned solar generation (14.8MW), 1 biogas project (2.85MW), and 1 hydro project (0.68MW).</li> </ul>
<b>Smart Energy Services for Consumers</b> Alignment to SJE's initiatives ✓ Smart grid initiatives ✓ Smart energy programs and services x Managed services	<ul style="list-style-type: none"> <li>London Hydro has been actively pursuing Smart Grid initiatives projects including: advanced metering infrastructure metering, real-time scalable monitoring/analytics on smart meters, and flexible smart metering systems.</li> <li>Through London Hydro's Innovation Centre the company has developed application to integrate with various appliances to measure their energy consumption.</li> <li>The company is currently conducting various pilot projects such as:               <ul style="list-style-type: none"> <li>Approximately 1,400 customers, provide them with real-time electricity consumption and pricing information to help them make choices to reduce their usage.</li> <li>Approximately 600 customers homes using the internet of things (IoT) devices and appliances.</li> </ul> </li> <li>London Hydro created Interval Data Centre which allows customers to track, analyze, and make adjustments to their energy consumption.</li> <li>In 2018, London Hydro introduced Trickl, an energy management application pilot project. The application allows the 2,000 participants to monitor and control their energy usage by viewing their usage in real-time, receiving personalized alerts, reviewing historical energy usage data and by controlling five devices or appliances in their homes using the application.</li> </ul>
<b>Strategic Partnership Opportunities</b> Alignment to SJE's initiatives ✓ Partnerships and joint venture on projects and studies ✓ Centre for innovation x Expanded utility services	<ul style="list-style-type: none"> <li>The Company entered into a joint venture agreement with the London District of Renewable Energy Co-Operative Inc. to create London Renewable Energy Initiative. The new venture will focus on identifying, applying for and constructing solar projects that have been approved under the Feed-In Tariff government program.</li> <li>London Hydro created an Innovation Centre to further research smart home systems and technologies.</li> <li>In 2013, London Hydro partnered with Western University to launch the Watts Lab for Smart Grid and Innovative DG Control Studies lab.</li> </ul>

**Sources:** Combination of Company website, Annual reports, Management Discussion & Analysis ("MD&A"), Annual Corporate Responsibility and Global Reporting Initiative's report

# Appendix A | Alectra Inc.



## Company Overview

Alectra Inc. is owned by seven cities located in Ontario. Alectra Inc. provides electricity distribution, solar photovoltaic generation, metering services and energy solutions through the use of innovative technologies. Alectra is the second largest municipality owned LDC in North America by customers.

Alectra Corporation has two ongoing smart grid projects that will help create a smarter and greener city.

Alectra's dividend policy is to pay dividends based on 60% of MIFRS Net Income. MIFRS stands for modified IFRS and is modified for regulatory purposes and for greater consistency in measurement of rate impacts.

**IFRS** – International Financial Reporting Records

**MIFRS** – Modified IFRS

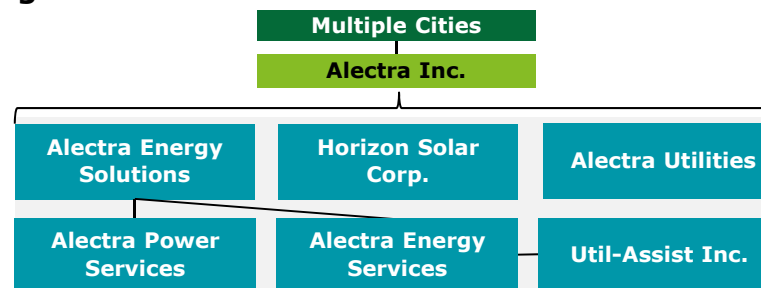
## Operating Metrics (2018)

<b>Number of Customers</b>	1M
<b>Total Revenue</b>	\$3.5B
<b>Comprehensive Income</b>	\$115M
<b>Dividend</b>	\$69M

**Source:** Alectra's 2018 Audited Consolidated Financial Statements

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## Organizational Structure



### Multiple Cities consist of:

- 8.78% by Barrie Hydro Holdings Inc., which is wholly-owned by City of Barrie
- 31.00% by Enersource Corporation, which is owned 90% by the City of Mississauga and 10% by BPC Energy Corporation, which is a wholly owned subsidiary of the Ontario Municipal Employees Retirement System
- 18.15% by Hamilton Utilities Corporation, a wholly-owned subsidiary of the City of Hamilton
- 15.73% by Markham Enterprises Corporation, a wholly-owned subsidiary of the City of Markham
- 4.85% by St. Catharines Hydro Inc., a wholly-owned subsidiary of the City of St. Catharines
- 21.49% by the Vaughan Holdings Inc., a wholly-owned subsidiary of the City of Vaughan
- Horizon solar Corp (0.1%) and Alectra Utilities (99.9%) own Solar Sunbelt General Partnership

## Offerings Overview

The services offered by Alectra's primary subsidiaries include the following:

- Electrical distribution
- Commercial rooftop solar generation business which develops, constructs, finances, and operates the solar equipment
- Wholesale metering and sub-metering services
- Consulting services related to alternative metering infrastructure integration, customer information systems implementation and other smart grid applications

# Appendix A | Alectra Inc.



Strategic Initiative Category	Relevant Comparators (if any)
<b>Renewable Generation and Storage</b> Alignment to SJE's initiatives ✓ Wind energy projects ✓ Utility-scale energy storage ✓ Community solar	<ul style="list-style-type: none"> <li>Alectra is currently not overly involved in generating renewable energy. Alectra's 2018 energy mix consisted of: 58.4% nuclear, 23.9% water, 6.2% natural gas, 10.3% solar and wind and 1.3% other.</li> <li>However, in 2017, Alectra introduced a 20 person pilot program called Power.House which is residential solar panel/storage program that allows households to collect solar energy, send the energy to the battery backup or sell it back to the grid, and tracks it on an online software management system. In addition, Alectra is using blockchain technology to further understand the technologies potential.</li> <li>Alectra Utilities has deployed a number of conservation projects in Mississauga including the installation of rooftop solar panels on various buildings.</li> </ul>
<b>Smart Energy Services for Consumers</b> Alignment to SJE's initiatives ✓ Smart grid initiatives ✓ Smart energy programs and services ✓ Managed services	<ul style="list-style-type: none"> <li>Alectra Utilities launched a two year pilot program with the City of Markham to set up Electric Vehicle charging stations at workplaces. The goal of the program is to offer more charging stations and help increase EV in Ontario.</li> <li>Smart thermostat incentive plan offers customers a \$75 credit when they registered a Nest or Ecobee thermostat.</li> <li>Small business lighting program which offers small business owners up to \$2,000 in incentives towards upgrading to energy-efficient lighting.</li> <li>Retrofit program offers incentives for businesses who make upgrades to lighting, lighting controls, building automation, water chiller, HVAC redesign, etc.</li> </ul>
<b>Strategic Partnership Opportunities</b> Alignment to SJE's initiatives ✓ Partnerships and joint venture on projects and studies ✓ Centre for innovation ✓ Expanded utility services	<ul style="list-style-type: none"> <li>Alectra partnered with Greater Toronto Airports Authority, and the Toronto and Region Conservation Authority is aimed in helping Mississauga businesses become more environmentally friendly by improving operations in the Pearson Eco-Business Zone. Currently the focus has been implementing solar technology, specifically rooftop solar to produce clean energy.</li> <li>Alectra has partnered with Sunverge and the University of Waterloo to use blockchain software technology to provide real-time tracking, transparency and management of Distributed Energy Resources in providing energy services.</li> <li>In 2019, Alectra started a Green Energy and Technology (GREandT) centre aimed at identifying, evaluating, developing, and deploying emerging green technology and solutions to the cities the company operates in. Some of the activities will include pilot projects, community engagement activities, evaluation of accelerator options, and demonstrations to partnerships are some of the activities the GREandT centre plans on delivering.</li> </ul>

**Sources:** Combination of Company website, Annual reports, Management Discussion & Analysis ("MD&A"), Annual Corporate Responsibility and Global Reporting Initiative's report  
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# Appendix B – Natural Resources Canada (“NRCAN”) Utility Investments

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# Appendix B | NRCAN Utility Investments

By Province (1/4)

Province	Smart Grid and Energy Storage	Clean Energy for Rural and Remote Communities	Renewables
<b>British Columbia</b> 34 Total NRCAN funded projects	<ul style="list-style-type: none"> <li>British Columbia Electric Vehicle (EV) smart infrastructure project</li> <li>Powering Plug-In EV with renewables supply in British Columbia</li> <li>Energy management business intelligence platform</li> <li>Energy storage and demand response for near capacity substation</li> <li>Canada's geothermal village, "Sustainaville" GeoPark</li> </ul>	<ul style="list-style-type: none"> <li>Hybrid smart-grid solar Photovoltaic and battery demonstration project</li> </ul>	<ul style="list-style-type: none"> <li>British Columbia remote community integrated energy BCRCIE project</li> <li>Development of codes and standards for marine energy converters</li> <li>Front end engineering for the Dent Island Tidal Power Generation project</li> <li>West Coast Wave Initiative (WCWI)</li> <li>Dent Island Tidal Power Generation Project</li> <li>Canada's geothermal village, "Sustainaville" GeoPark</li> </ul>
<b>Alberta</b> 53 Total NRCAN funded projects	<ul style="list-style-type: none"> <li>Tailings management through Nano technologies</li> <li>Integrating distributed generation</li> <li>Energy management business intelligence platform</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Community-based geothermal demonstration</li> <li>Demonstration of Waste-Heat recovery at compressor stations</li> </ul>
<b>Saskatchewan</b> 6 Total NRCAN funded projects	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Front-end engineering design study: Williston Basic Low Temperature Geothermal</li> <li>Wind and storage demonstration in a First Nations community</li> </ul>

Source: NRCAN, Current Investments, <https://www.nrcan.gc.ca/science-data/funding-partnerships/funding-opportunities/current-investments/21146>

# Appendix B | NRCAN Utility Investments

By Province (2/4)

Province	Smart Grid and Energy Storage	Clean Energy for Rural and Remote Communities	Renewables
<b>Ontario</b> 55 Total NRCAN funded projects	<ul style="list-style-type: none"> <li>• Interoperability and non-wires alternative demonstration</li> <li>• Smart, proactive, enabled energy distribution; Intelligent, efficiently, responsive (SPEEDIER) project</li> <li>• Tailings management through Nano technologies</li> <li>• Power.House Hybrid: Minimizing greenhouse gas emissions and maximizing grid benefits</li> <li>• The Transactive Grid – Enabling end-to-end market services framework using blockchain</li> <li>• MiGen Transactive Grid</li> <li>• Secondary school carbon free embedded MicroGrid energy system demonstration</li> <li>• Development of utility grade controller for remote MicroGrids with high penetration renewable generation</li> <li>• Direct-current arc-free circuit breaker for utility-grid battery storage system</li> <li>• Integrated urban community energy project</li> <li>• Prolucid Technologies for distributed generation monitoring and control</li> <li>• Energy management business intelligence platform development and demonstration</li> <li>• Utility scale electricity storage demonstration using new and re-purposed lithium Ion automotive batteries</li> <li>• John Paul II High School carbon free embedded energy system FEED study</li> <li>• Canadian Small Modular Reactor (SMR) roadmap</li> </ul>	<ul style="list-style-type: none"> <li>• Gull Bay First Nation diesel offset micro grid project</li> </ul>	<ul style="list-style-type: none"> <li>• High density solar photovoltaic module</li> <li>• Kortright energy yield test standard</li> <li>• Pan-Canadian wind integration study</li> <li>• Virtual blade wind power</li> <li>• Wasdell Falls hydro power project</li> <li>• John Paul II High School carbon free embedded energy system</li> <li>• Canadian Small Modular Reactor (SMR)</li> </ul>

Source: NRCAN, Current Investments, <https://www.nrcan.gc.ca/science-data/funding-partnerships/funding-opportunities/current-investments/21146>

# Appendix B | NRCAN Utility Investments

By Province (3/4)

Province	Smart Grid and Energy Storage	Clean Energy for Rural and Remote Communities	Renewables
<b>Quebec</b> 27 Total NRCAN funded projects	<ul style="list-style-type: none"> <li>Lac Mégantic Microgrid</li> <li>Commercial demonstration of a Management System for Electric Vehicle (EV) charging station networks</li> <li>Managing energy storage capabilities in an electrical grid to reduce effects of renewable energy source variability</li> <li>Interactive smart zone demonstration in Quebec</li> <li>Power simulator (SimP) experimentation and standardization infrastructure for smart grid technologies</li> </ul>	<ul style="list-style-type: none"> <li>3,300 Saint-Jacques NET ZERO+</li> <li>High efficiency commercial refrigeration systems utilizing an ejector.</li> <li>Integrating renewables and conservation measures in a net-zero energy low-rise residential subdivision</li> <li>Intelligent net-zero energy buildings</li> <li>Plug and Play building-integrated photovoltaic and thermal technologies</li> </ul>	<ul style="list-style-type: none"> <li>Nunavik Minin: RAGLAN 2.0 Large scale renewable energy smart grid</li> <li>Front end engineering and design study – Whapmagoostui – Wind hybrid power plan</li> <li>FEED of Xstrata’s raglan renewable electricity Micro-Grid and Smart-Grid pilot demonstration</li> <li>Glencore RAGLAN Mine renewable electricity Smart-Grid pilot demonstration</li> <li>Integration of deep geothermal energy in Canada’s energy portfolio</li> <li>Power simulator (SimP) – experimentation and standardization infrastructure for smart grid technologies</li> </ul>
<b>New Brunswick</b> 5 Total NRCAN funded projects	<ul style="list-style-type: none"> <li>Integrated dispatchable resource network for local electric distribution utility (SJ Energy)</li> <li>Collaborative grid innovation for Atlantic smart energy communities (NB Power and NS Power)</li> <li>Electricity load control demonstration</li> <li>Dynamic voltage control for the integration of renewables</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Dynamic voltage control for the integration of renewables (NB Power)</li> </ul>

Source: NRCAN, Current Investments, <https://www.nrcan.gc.ca/science-data/funding-partnerships/funding-opportunities/current-investments/21146>

# Appendix B | NRCAN Utility Investments

By Province (4/4)

Province	Smart Grid and Energy Storage	Clean Energy for Rural and Remote Communities	Renewables
<b>Nova Scotia</b> 10 Total NRCAN funded projects	<ul style="list-style-type: none"> <li>Collaborative grid innovation for Atlantic smart energy communities (NB Power and NS Power)</li> <li>Electricity load control demonstration</li> <li>Environmental monitoring of tidal energy technology</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Reducing the cost of in-stream tidal energy generation through comprehensive hydrodynamic site assessment</li> <li>Tidal energy project in the Bay of Fundy</li> <li>Environmental monitoring of Tidal Energy Technology</li> </ul>
<b>Prince Edward Island</b> 3 Total NRCAN funded projects	<ul style="list-style-type: none"> <li>Electricity load control demonstration</li> </ul>	<ul style="list-style-type: none"> <li>Virtual blade wind power</li> <li>A 10 MW wind technology research and development</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

Source: NRCAN, Current Investments, <https://www.nrcan.gc.ca/science-data/funding-partnerships/funding-opportunities/current-investments/21146>





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The information contained herein is not intended to substitute for competent professional advice.

# Industry Benchmarking | Municipal Utility Companies

## Dividend Policy Comparison

Company	Dividend Policy Details	Dividends Declared
<b>EPCOR</b>	The City of Edmonton owns 100% of EPCOR and receives a quarterly dividend based on percentage of net income that is reviewed annually by the City of Edmonton.	<b>\$166M</b> which represents <b>56%</b> of Comprehensive Net Income in 2018
<b>ENMAX</b>	ENMAX's dividend policy is to pay out the greater of \$30M or 30% of prior year's net earnings, dependent on factors such as liquidity requirements and financial performance.	<b>\$40M</b> which represents <b>26%</b> of Net Income in 2018
<b>Toronto Hydro</b>	THC's dividend policy is to payout 50% of the consolidated prior fiscal year's annual consolidated net income or a minimum of \$25M per year paid in quarterly installments.	<b>\$94M</b> which represents <b>56%</b> of Net Income in 2018
<b>Hydro Ottawa</b>	The Company's dividend policy is to pay out the greater of \$20M or 60% of its prior year net income.	<b>\$22M</b> which represents <b>61%</b> of Net Income in 2018
<b>Oakville Enterprise Corporation</b>	The holders of the common shares are entitled to receive dividends from time to time. From 2017 to 2018 the company has paid out \$3.7M and \$3.8M respectively.	<b>\$3.8M</b> which represents <b>40%</b> of Comprehensive Net Income in 2018
<b>EnWin</b>	Approximately 74% of all revenues go to the generators, transmitters and the province in the form of taxes. The remaining revenue is used by Enwin to build, operate and maintain the electricity distribution infrastructure. Any excess is paid as dividends or held for reinvestment into infrastructure.	<b>\$4M</b> which represents <b>47%</b> of Net Income in 2018
<b>London Hydro</b>	In the last two years, London Hydro has declared dividends in the amount of \$5M back to the City of London. London Hydro has consistently declared an annual dividend of \$5M and in specific circumstances an additional special dividend can be declared.	<b>\$5M</b> which represents <b>39%</b> of Comprehensive Net Income in 2018
<b>Alectra Utilities</b>	Alectra's dividend policy is to pay dividends based on 60% of MIFRS Net Income. MIFRS stands for modified IFRS and is modified for regulatory purposes and for greater consistency in measurement of rate impacts. <b>IFRS</b> – International Financial Reporting Records <b>MIFRS</b> – Modified IFRS	<b>\$69M</b> which represents <b>60%</b> of Comprehensive Net Income in 2018

# Company Financials | Forecasted Net Income

## Adjusted Net Income

### Forecast Summary

The adjacent tables provides a summary of the **annual net income** generated under each scenario. Please note that the figures shown are not discounted but pulled directly from the consolidated Growth Strategy forecast provided by SJE management.

**Scenario #1** includes all of the growth initiatives / projects in the Growth Strategy Forecast.

**Scenario #2** includes all growth initiatives / projects except for M&A activity, utility services business, and consumer products new rental service line.

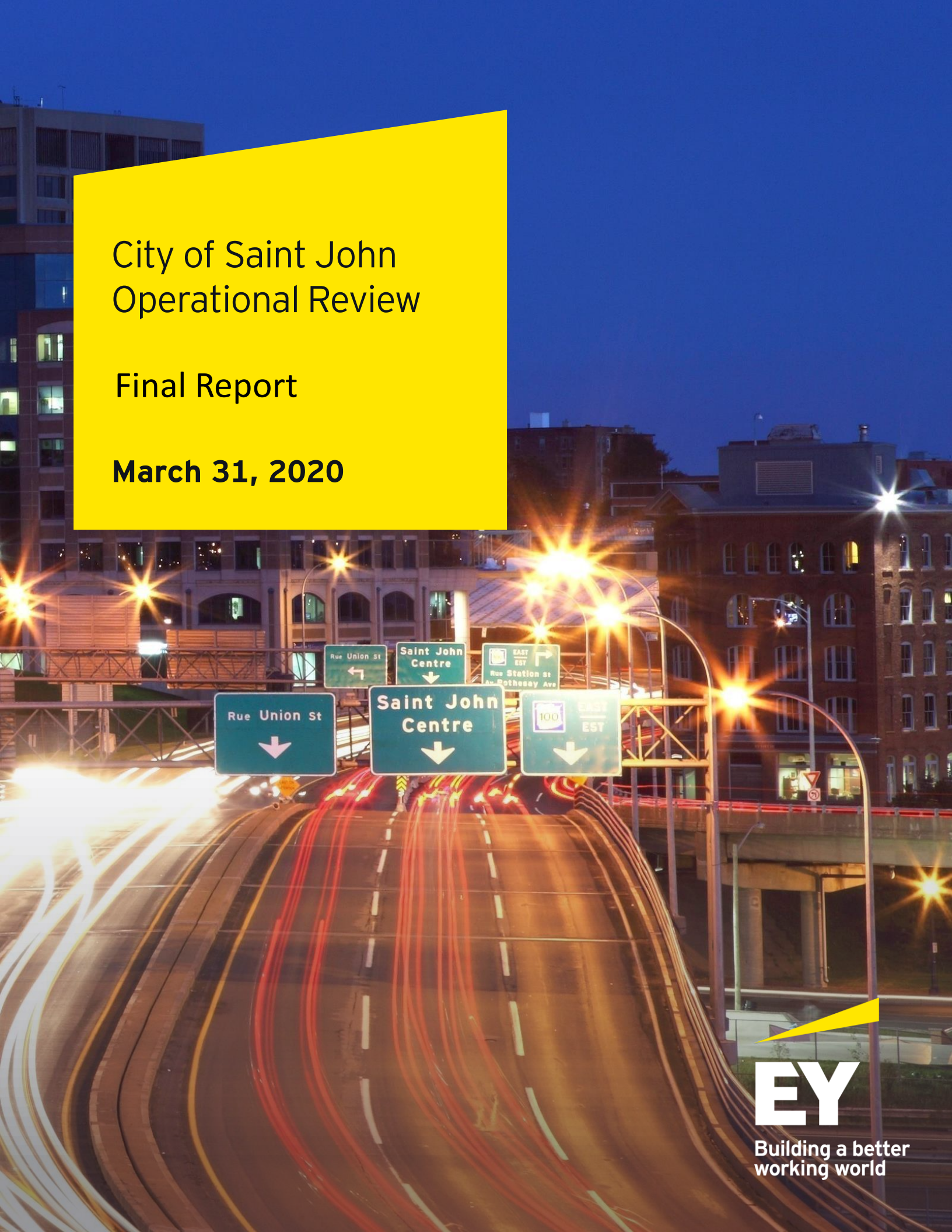
Net income was adjusted to account for the **rate differential**, assuming rates were increased to match NBP. For the purpose of this analysis this amount is constant.

Scenario #1				Scenario #2			
Year	Net Income +	Rate Differential	= Adjusted Net Income	Year	Net Income +	Rate Differential	= Adjusted Net Income
2020	\$1,840	\$7,400	\$9,240	2020	\$1,840	\$7,400	\$9,240
2021	\$2,230	\$7,400	\$9,630	2021	\$2,230	\$7,400	\$9,630
2022	\$6,814	\$7,400	\$14,214	2022	\$8,745	\$7,400	\$16,145
2023	\$8,047	\$7,400	\$15,447	2023	\$9,872	\$7,400	\$17,272
2024	\$12,894	\$7,400	\$20,294	2024	\$14,716	\$7,400	\$22,116
2025	\$13,375	\$7,400	\$20,775	2025	\$15,672	\$7,400	\$23,072
2026	\$13,959	\$7,400	\$21,359	2026	\$16,527	\$7,400	\$23,927
2027	\$14,613	\$7,400	\$22,013	2027	\$17,582	\$7,400	\$24,982
2028	\$15,129	\$7,400	\$22,529	2028	\$18,456	\$7,400	\$25,856
2029	\$15,386	\$7,400	\$22,786	2029	\$19,227	\$7,400	\$26,627

# City of Saint John Operational Review

## Final Report

**March 31, 2020**







# Notice

Ernst & Young (“EY”) was selected by the Department of Environment and Local Government (“ELG”) to conduct an independent operational review of the City of Saint John. This report (the “Report”) highlights the activities conducted, the information gathered, the analysis completed, the findings of the analysis, and recommendations.

This Report was prepared solely for the purposes of the City of Saint John and ELG. It should not be relied upon for any other purpose. The Report is based on objective analysis and information provided to us by the City of Saint John, Agencies, Boards and Commissions (ABCs) and ELG. The data and financial information and other underlying assumptions were not independently audited for accuracy or completeness.

The Report may not have considered issues relevant to any third parties. Any use such third parties may choose to make of the Report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use and to the fullest extent permitted by law we do not accept or assume responsibility to anyone other than ELG, for this report or for the opinions formed.

Our report to ELG is based on inquiries of, and discussions with, the City of Saint John, and ELG. We have not undertaken any form of investigation, audit, substantiation or verification procedures for the information, data and projections provided to us. We have not sought to verify the accuracy of the data or the information and explanations provided.

Our work has been limited in time and a more detailed / lengthy exercise may reveal material issues that this review has not. No obligation is assumed by EY to revise this Report to reflect any circumstances or information that become available subsequent to the date of this Report.

Several limitations were encountered during this review that could impact the results:

- ▶ Quality and availability of consistent, accurate data;
- ▶ Data components for benchmarking purposes was challenging and manual;
- ▶ Time limitation prevented a deep analysis in all service areas.



# Glossary

- ▶ ABC: Agencies, Boards and Commissions
- ▶ CAGR: Compound Annual Growth Rate
- ▶ CMA: Census Municipal Area
- ▶ EBITDA: Earnings before interest, tax , depreciation and amortization
- ▶ EDGSJ: Economic Development Greater Saint John
- ▶ FMS: Fleet Management System
- ▶ FTE: Full-time equivalent
- ▶ HR: Human Resources
- ▶ IT: Information Technology
- ▶ MoU: Memorandum of Understanding
- ▶ NPV: Net present value
- ▶ PSCC: Public Safety Communication Center
- ▶ RFP: Request for proposal
- ▶ SCDWP: Safe and Clean Drinking Water Project: City of Saint John
- ▶ SOP: Standard operating procedure
- ▶ TCO: Total cost of ownership
- ▶ VMA: Vehicle Management Agency

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# 1.0 Executive summary





# 1.0 Executive summary

The City of Saint John (the "City") is a regional centre in southern New Brunswick. A vibrant and growing city is crucial for the long-term prosperity of the regional area and the province as a whole. This Report outlines the first steps the City is recommended to take to improve its path towards sustainability. We cannot predict what the new and revitalized City of Saint John will look like, but if these steps can turn the City's trajectory, we have something stable to build upon.

The City is battling a projected financial structural deficit that requires transformative solutions. In 2013, the City of Detroit filed for bankruptcy and within 13 months emerged from the United States largest municipal bankruptcy claim in the history of the nation. This could not be accomplished alone; a partnership between the City of Detroit, government, business leaders and the community led an innovative effort to restructure the debt and take a microscopic view to the structural issues that put Detroit in that position. While the City of Saint John's situation is not yet as extreme as Detroit's, we believe that a similar approach is required to address the structural deficit.

To address the City of Saint John's financial situation, the province of New Brunswick (Department of Environment and Local Government) partnered with the City to initiate an operational review with a goal of identifying opportunities for cost optimization, revenue diversification and debt reduction.

City management has taken urgent measures to analyze costs, improve financial policies and implement cost reduction and process improvement initiatives in many areas. Structural changes have been very difficult to implement however, there is a critical awareness by management that barriers to change need to be addressed. Long standing systemic roadblocks have barricaded the path forward which cannot be solved through traditional methods or short term crutches. This Report is intended to address that threat head on. The City is facing an unfunded pension liability of \$86M which is planned to be funded by 2028. The majority of the projected structural deficit of approximately \$10M is coming from funding the pension liability which will continue to grow unless transformative change is executed.

The challenges are clear:



## **Expenses are growing 3X the rate of revenues:**

Expenditures are growing at an unsustainable rate for the City, with wages accounting for 57% of total expenses. Wage and benefit escalation is exceeding the City's capacity to fund.



## **Highest property tax rate in the province with a shrinking population/tax base:**

Saint John's population and base have been shrinking over time, with a low current growth rate



## **Reliance on debt:**

The City has a high reliance on debt to fund day-to-day operations; there is a need for the City to be able to grow its own sources of revenue to cover required expenditures.



## **Aging infrastructure deficit:**

There are a high number of City assets that are in poor condition, requiring an estimated \$60M of funding per year to address infrastructure deficit.



## **Need to build reserves to fund unplanned costs:**

Flexibility to cover unplanned costs is limited. Reserves are necessary to plan for unanticipated events, capital renewal, future liabilities, etc.



## **Constraining articles within the collective agreements:**

Constraining, long-standing articles that diminish the City's management ability to withstand the ebbs and flows of business.

## Executive summary

These challenges cannot be solved without addressing systemic issues such as constraining articles within the collective agreements, restrictive legislation and a lack of a performance management and accountability framework. City management launched a joint initiative with the province to strike a committee that worked collaboratively together to identify opportunities for sustainability. Significant efforts and commitment to proactively respond to this serious challenge are already underway by the City. Some key areas where change has begun to take place:

**Costs are growing by 3% annually; revenues are growing by 1%.**



Four main themes have surfaced through ongoing work by the City:

- |          |   |          |  |
|----------|---|----------|--|
| <b>1</b> | 50% of the deficit will be addressed through workforce adjustments.                             | <b>3</b> | Revenue streams will be enhanced and expanded.                             |
| <b>2</b> | Where possible, the City will divest its infrastructure to avoid large infrastructure deficits. | <b>4</b> | New and innovative approaches to the delivery of services will be pursued. |

These themes partially guided the focus for this review, in addition to benchmarking research, jurisdictional research and subject matter advisory. For each area, additional data was reviewed, site visits were completed and stakeholder interviews conducted. This review revealed opportunities and areas for the City to either reduce debt, optimize costs or diversify revenue opportunities.

***It must be noted that recommendations outlined in this Report should not be interpreted as critical in any way to the value of the City services or employees. This Report focuses on transformative changes with the highest impact.*** What is most important is that the City acts decisively to drive those changes and move to a more positive dialogue that focuses on growth to attract investments. Restructuring, transformative change and the perceived reduction in service is difficult to understand for employees and residents. Factual communications, free from bias, are essential to support the execution of transformative change. Reduction in staffing does not necessarily translate into a reduction in services when more productive ways to deliver the same services can be implemented.

## Executive summary

Many of the areas identified in this review are not new ideas for City management or to Council and, in some cases, the full potential of these ideas has been constrained by factors that make their implementation more challenging. We do not believe that the City can achieve its long-term sustainability objectives solely by implementing easy-to-implement changes. Foundational constraints must be addressed to achieve long-term sustainability, as identified below. The opportunities are grouped into three areas. Debt reduction opportunities represent one-time proceeds from the sale of assets while annualized cost optimization will come from FTE reduction and cost efficiencies associated with reduced spending from curtailment or avoidance of the following cost elements:

- ▶ Wages and benefits (Based on our review, more than 50% of the operating cost savings will emerge from wage and benefit adjustments)
- ▶ Operating costs (Overtime, energy, fuel, maintenance, use of material, time in lieu)
- ▶ Grant funding
- ▶ Reduction in unit cost through strategic sourcing

Most of the new revenue identified include the opportunity to leverage a dividend contribution from Saint John Energy, which is contingent on support from the province through legislative changes. It is also important to note that some opportunities arise from the Saint John Water Commission will not flow directly to address the City's operational deficit, but can be use to avoid further rate increase or fund the infrastructure deficit. Eleven business cases have been developed and are summarized on the following page and illustrated on the Roadmap (P.71).

The consolidated opportunities are noted below: (000's)

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
\$8,380 - \$9,880	\$12,400 - \$17,800	\$5,300 - \$9,400

The City also has additional revenue generation and cost reduction ideas that have not been included in the estimates. The City and Council are encouraged to prioritize a limited number of larger transformative changes rather than seeking to implement a large number of small changes. Our experience has shown that implementing a significant number of small changes will be difficult with limited resources and it will be difficult to sustain these many changes over time.

## Summary of key opportunities (000's)

		Debt reduction	Cost optimization (annualized)	Net new revenue generation (annualized)
	Fire and rescue services - Transform service delivery through call response process enhancements, staffing model optimization, reduction of two engines and two tankers, potential closure of one fire station and reducing 32-40 full-time firefighters.	-	\$4,000 - \$5,000	\$100 - \$460
	Police services - Expand civilianization for court services, administration and low risk service calls with an expected conversion of 20% of its patrol strength to civilians. Reverting to an 11 hour shift to optimize "in lieu" time and improve rostering scheduling practices.	-	\$1,500 - \$1,700	-
	SJ Energy - Allow SJ Energy to pay a dividend to the City in the range of 50 to 60 percent of net income like other Energy Utility across Canada. Support SJ Energy growth agenda and increase SJ Energy power rate to be consistent with NB Power's could provide a net annual dividend of \$4.5M-\$8.2M. The collection of this dividend may provide the opportunity for the City to reduce property taxes and consider providing a rebate program to ensure that low-income residents who are not property owners are not put at a greater disadvantage from increased energy rates.	-	-	\$4,500 - \$8,200
	Municipal buildings - Of the seventy-seven (77) City-owned buildings, EY has identified nineteen (19) potential opportunities for the City to explore. Depending on market demand, divestiture opportunities (19) could yield \$6 million. Additional cost savings from increased operational/utilization efficiencies have been identified (but not quantified) for buildings where operational assessments should be performed to determine potential cost savings.	\$5,000 - \$6,000	-	-
	Municipal lands - The city owns ~1,500 parcels of land. and EY has identified opportunities to divest 41 parcels of land totalling \$3.7M. This includes thirty-two (32) parcels of land each valued over \$25,000, totalling \$1.8M; as well as of land previously rejected by Council for divestiture that could be reconsidered for sale, valued at \$1.8M.	\$3,200 - \$3,700	-	-
	Procurement enhancement- Enhance procurement through optimization of shared services, strategic sourcing, contract management and red tape reduction.	-	\$1,200 - \$4,400	-
	Saint John Water - Reduce workforce by 10-15 FTEs, add 2 superintendent FTEs , and adjust the span of control. In addition, Saint John Water should continue with cost efficiency initiatives and explore service offerings to other cities.	-	\$990 - \$1,400	\$150 - \$200
	Economic development- Regionalize economic development services for the region and consolidate agencies (EDGSJ, Discover SJ, Develop SJ) under one entity that would service municipalities from Grand Bay to Hampton utilizing a fair and equitable funding and cost-sharing model.	-	\$500 - \$800	-
	Fleet services - Expand and enhance the fleet pooling system, increase utilization of equipment, augment purchasing power and optimize garage consolidation with the transit garage.	-	\$250 - \$300	-
	Public works and recreation - Optimize solid waste management, improve winter road maintenance cost management, explore workforce efficiency and productivity opportunities and reduce the workforce by 20 FTEs and 18 casual positions.	\$180	\$3,500	\$550
	Agencies, boards and commissions - Action the opportunities presented to Council in relation to legislative amendments, removal, consolidating and re-negotiating terms and/or exploring new partnerships for ABCs. Additionally, accountability practices, performance reporting and criteria for grant contributions should be realigned with city priorities and its capacity to fund.	-	\$500 - \$650	-
		\$8,380 - \$9,880	\$12,400 - \$17,800	\$5,300 - \$9,400

## Executive summary

During the development of business cases, common themes emerged that will support these initiatives. We have outlined these here and within the 'Sustainability Enablers' section.



### Labour relations

There are severely restrictive, long-standing collective agreement articles in place that inhibit the City's capacity to effectively manage and align workers with the workload. Supervisory positions held within the membership of the collective agreement also constrain productivity and performance management efforts. Moreover, the trajectory of wages and benefits are unsustainable relative to growth.



### Tax reform

High tax rates and practices for establishing residential home assessment values as well as industrial tax exemptions are contributing to the City's constraints. In particular, its capacity to attract investments, grow the population and stimulating the economy. Furthermore, the proportionate share of tax revenue between the province and the City as being fair is under debate.



### Performance management and accountability

Long standing practices, in the absence of an effective performance management system, make it challenging for management to dissuade practices that inhibit efficiency and protocols and practices for providing grants to external agencies need strengthening of accountability and reporting .



### Regional collaboration

Several regional opportunities exist that would enable higher level of services that benefit the region as a whole and at a lower cost to citizens.



### Governance & structure

There is little collaboration and sharing of resources and equipment between service areas, historically working in silo of one another.



### Culture

The culture is described as traditional and political with decision making practices that have historically been silo in nature and not consistently rooted in evidence. Additionally, the protectionism culture within the workforce is inhibiting productivity and efficiencies.

In addition to the business cases and the sustainability enablers, other noteworthy opportunities are outlined in the section 'Additional Considerations'. These include opportunities to; enhance the granting and procurement approval processes; assess further opportunities to benefit from shared services and efficiencies across the organization, including transit services; and diversify into new revenue streams.





## Executive summary

The City has already embarked on several of these opportunities as noted. The City has identified many opportunities, implemented significant changes to their financial principles and policies and developed a long term financial plan. Their planning has allowed them to make great strides towards sustainability that they should continue to drive, with the support of Council.

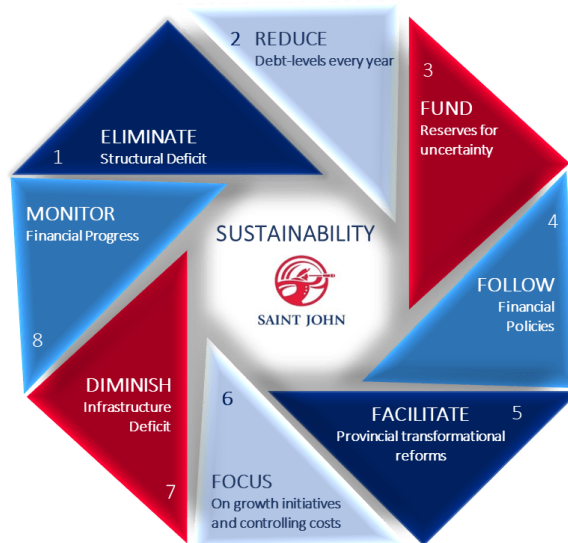
Please see the City's sustainability wheel below that depicts the steps the City has initiated towards sustainability.

To build on the opportunities within this report, the City should develop a strategic plan and adjust their financial plan to align as part of its sustainability strategy.

The depth and scope of this review would not have been possible under such a compressed timeframe without the full and exhaustive collaboration of the City staff. We very much appreciated their support throughout this process. There is no shortage of commitment to achieve these goals.

This is a time to accentuate the strengths, critically assess and challenge the status quo. Implementation of change is difficult, and in some cases will take multiple years to achieve the full benefit, however action to address systemic barriers must be taken now.

Success will require the support of stakeholders at all levels, legislative amendments, union leaders, along with strong and steady leadership and project governance. Sacrifices need to be made, tough decisions taken to stop the erosion and create a foundation to build upon for future generations



Source: City of Saint John





# 2.0 Background



## 2.1 Approach

To complete the operational review for the City of Saint John, EY took a service-based, integrated approach, leveraging subject matter experts in municipal operation. Stream leads met with operational managers to review current operations, identify challenges, areas for improvement and to understand current sustainability initiatives in play.

As part of the operational review, a benchmarking assessment was conducted to identify areas of focus.

It is recognized that Saint John is a unique city and, therefore, Canadian municipalities that shared the most similar characteristics were selected as comparable municipalities for this assessment. The jurisdictions selected were Halifax, Thunder Bay, Sudbury and Regina.

While Saint John has a smaller population, the four municipalities share common characteristics in other areas, such as a strong working-class base, similar key industries, infrastructure risks and common economic challenges including poverty, ageing population, and shrinking tax base .

Characteristic	Saint John	Halifax	Sudbury	Thunder Bay	Regina
Population	68,808	430,512	161,531	107,909	234,177
Households	34,070	195,529	75,612	50,388	95,194
Geographic area (sq. km)	3,509	5,927	3,625	2,556	4,324
Total budgeted FTEs	828	4,366.90	2,546.00	2,365	2,836.40
Municipal expenses (operating and capital)	175,194,925	976,736,401	611,406,751	540,245,680	594,141,996
Municipal purchases (operating and capital)	52,858,226	374,576,181	297,070,673	2,652,936,915	257,978,872

Benchmark Service Area	
Building permits and inspection	Planning
By-law enforcement	Police services
Culture	Roads
Fire services	Sports and recreation
Fleet	Transit
Parks	Waste management

*Municipal Benchmarking Network Canada, 2018*

Please refer to Appendix A



# Approach

For each service area, information on service levels, staffing levels and ongoing initiatives was gathered through data requests, site visits and interviews with front line staff, management and commissioners.

The following departments and services were engaged as part of this review from front-line staff to executive level:

- ▶ Police services
- ▶ Police commission
- ▶ Fire services
- ▶ Transportation and environment
- ▶ Growth and community development
- ▶ Water services
- ▶ Common Council
- ▶ Financial services
- ▶ IT
- ▶ Finance
- ▶ Human Resources
- ▶ Procurement
- ▶ Fleet services
- ▶ Infrastructure
- ▶ Completed site visits of all fire stations

In addition to stakeholder interviews, site visits were also completed for fire stations, water facilities and fleet and transit garages.

Business cases were developed for selected areas, identifying key initiatives and recommendations. The results of the analysis were validated with the City's management team.



# 3.0 Business cases





## Summary of key opportunities (000's)

		Debt reduction	Cost optimization (annualized)	Net new revenue generation (annualized)
	Fire and rescue services - Transform service delivery through call response process enhancements, staffing model optimization, reduction of two engines and two tankers, potential closure of one fire station and reducing 32-40 full-time firefighters.	-	\$4,000 - \$5,000	\$100 - \$460
	Police services - Expand civilianization for court services, administration and low risk service calls with an expected conversion of 20% of its patrol strength to civilians. Reverting to an 11 hour shift to optimize "in lieu" time and improve rostering scheduling practices.	-	\$1,500 - \$1,700	-
	SJ Energy - Allow SJ Energy to pay a dividend to the City in the range of 50 to 60 percent of net income like other Energy Utility across Canada. Support SJ Energy growth agenda and increase SJ Energy power rate to be consistent with NB Power's could provide a net annual dividend of \$4.5M-\$8.2M. The collection of this dividend may provide the opportunity for the City to reduce property taxes and consider providing a rebate program to ensure that low-income residents who are not property owners are not put at a greater disadvantage from increased energy rates.	-	-	\$4,500 - \$8,200
	Municipal buildings - Of the seventy-seven (77) City-owned buildings, EY has identified nineteen (19) potential opportunities for the City to explore. Depending on market demand, divestiture opportunities (19) could yield \$6 million. Additional cost savings from increased operational/utilization efficiencies have been identified (but not quantified) for buildings where operational assessments should be performed to determine potential cost savings.	\$5,000 - \$6,000	-	-
	Municipal lands - The city owns ~1,500 parcels of land. and EY has identified opportunities to divest 41 parcels of land totalling \$3.7M. This includes thirty-two (32) parcels of land each valued over \$25,000, totalling \$1.8M; as well as of land previously rejected by Council for divestiture that could be reconsidered for sale, valued at \$1.8M.	\$3,200 - \$3,700	-	-
	Procurement enhancement- Enhance procurement through optimization of shared services, strategic sourcing, contract management and red tape reduction.	-	\$1,200 - \$4,400	-
	Saint John Water - Reduce workforce by 10-15 FTEs, add 2 superintendent FTEs , and adjust the span of control. In addition, Saint John Water should continue with cost efficiency initiatives and explore service offerings to other cities.	-	\$990 - \$1,400	\$150 - \$200
	Economic development- Regionalize economic development services for the region and consolidate agencies (EDGSJ, Discover SJ, Develop SJ) under one entity that would service municipalities from Grand Bay to Hampton utilizing a fair and equitable funding and cost-sharing model.	-	\$500 - \$800	-
	Fleet services - Expand and enhance the fleet pooling system, increase utilization of equipment, augment purchasing power and optimize garage consolidation with the transit garage.	-	\$250 - \$300	-
	Public works and recreation - Optimize solid waste management, improve winter road maintenance cost management, explore workforce efficiency and productivity opportunities and reduce the workforce by 20 FTEs and 18 casual positions.	\$180	\$3,500	\$550
	Agencies, boards and commissions - Action the opportunities presented to Council in relation to legislative amendments, removal, consolidating and re-negotiating terms and/or exploring new partnerships for ABCs. Additionally, accountability practices, performance reporting and criteria for grant contributions should be realigned with city priorities and its capacity to fund.	-	\$500 - \$650	-
		\$8,380 - \$9,880	\$12,400 - \$17,800	\$5,300 - \$9,400

## 3.1 Fire and rescue services

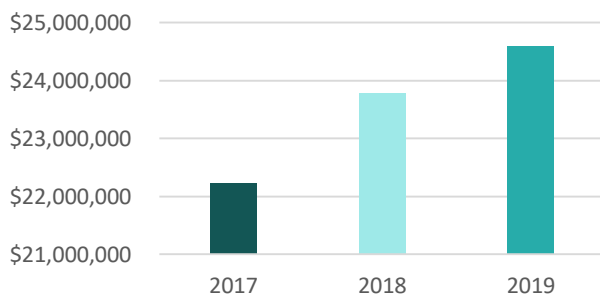


### Service description

- ▶ Saint John's Fire and Rescue Services focus on reducing the loss of life, personal injury, property damage or impact on the environment caused by fire, accident, medical emergency, or hazardous materials release. Services include:
  - ▶ Fire rescue, suppression, prevention and investigation - including medical first response
  - ▶ Hazardous emergency response - Management, development, implementation, and maintenance of emergency plans and inter-agency coordination
- ▶ The 2020 Fire and Rescue budget is estimated at \$24.9M, which represents roughly 15% of the City of Saint John's operating budget.
- ▶ Fire services are provided out of seven fire stations that respond to over 5,000 calls annually, out of which over 3,000 are medical first response calls and close to 1,000 are false alarms.
- ▶ The Public Safety Communication Center (PSCC) which is operated by the Police Commission dispatches both fire and ambulance as first responders, while Moncton dispatches ambulances only and fire when necessary. In many instances fire is not required on scene. However in some cases fire responds faster than the ambulance and may contribute to saving lives. Recently decisions have been made not to dispatch fire services in the case of strokes and seizures as fire is not adequately equipped to make a difference in those cases.

### Financial analysis

SJFD Fire Spending - 2017-19



- ▶ Spending has grown at the rate of approximately 3.62% Compound Annual Growth Rate ("CAGR") since 2017
- ▶ Salaries and benefits form the major component of the expenditure for the Fire Service
- ▶ Revenue from the Fire Service is less than 1% of the expenditure, pointing to opportunities to increase revenue and reduce net cost of service. Revenue has dropped by 17% CAGR since 2017 and is currently at \$219K in 2019

### Resources

- ▶ 144 full-time firefighters and 28-32 holiday relief firefighters
- ▶ 1 fire chief, 2 deputy chiefs, 2 divisional chiefs and 4 platoon chiefs manage the Fire Service
- ▶ 4 fire prevention and inspectors and 3 training officers

### Key strengths

- ▶ Public safety initiative delivery
- ▶ Low number of fatalities
- ▶ Low number of structural fires
- ▶ Strong infrastructure utilization

### Key areas of opportunity

- ▶ Staffing levels are high compared to the number of incidents
- ▶ Firefighters are responding to a high number of medical related calls, which is not optimal
- ▶ Revenue opportunities through fees for specialized response and training

# Fire and rescue services

## Transforming the delivery of the fire services

Financial and fiscal impact	\$4.5-\$5M	Level of risk	Moderate
Timeline to realize benefits	3+ years	Ease of implementation	Requires significant change

### Case for change

- ▶ Calls for fire services have decreased by approximately 56% over the last 12 years at the City of Saint John, which points to a case for review of current fire services workforce levels/expenditures. A benchmark analysis conducted as part of this engagement showed that the per capita service cost in Saint John is \$346, which is higher than the median observed in comparable municipalities (\$180). Our benchmarks included municipalities that have industrial and port infrastructure which would be similar to the risk profile for the City of Saint John. Therefore, the significant difference in per capita costs compared to peer municipalities points to opportunities to reduce the net cost of service.
- ▶ Response to an average of 6-8 medical calls per day currently undermines fire service response capacity. Medical call reduction initiatives through triaging are already in motion, which will provide information on the number and type of fleet vehicles required for medical responses.
- ▶ An independent and objective risk analysis to support current fire service levels has not been completed in many years, including the response capabilities of some of the industrial players.
- ▶ Many fire stations were built over 40 years ago. Several road, highway and interchange enhancements have been implemented which allow more rapid access to certain neighbourhoods. Fire prevention activities, firefighting technologies and approach have also improved significantly over the years.
- ▶ Fire prevention services have limited enforcement capabilities to ensure compliance to safety requirements and manage risks.
- ▶ Although the City has a relatively high risk profile, there is a lack of a formal emergency plan and strategy with scenarios and response options also makes the City vulnerable to extensive loss and damage in the event of a high severity incident.

### Opportunity

#### Medical calls:

- ▶ Manage duplication with paramedic services: Given that over 60% of the calls attended by fire services are medical first response, there is an opportunity to review and identify call types where paramedic response would be sufficient (based on criticality and type of intervention required). In some municipalities, ambulatory care is dispatched first and fire is only dispatched when necessary. Should the ambulatory care dispatch service not meet acceptable standards for the City, the City should approach Ambulance NB to improve response time rather than seeking to substitute or elevate the response time through fire services.
- ▶ Implement a rapid response vehicle for medical calls with reduced staffing: The City is already considering implementation of a rapid response vehicle program where smaller, lighter vehicles are dispatched for medical emergencies. This approach is consistent with the approach used in other municipalities and will inform the number of staff required (could be reduced from four to two) and type of vehicle sent.

#### Staffing model:

- ▶ Implement a flexible staffing model and revise mandatory staffing levels in collective bargaining agreements: Provisions in the collective agreement mandates that vehicles dispatched from stations must be staffed with a minimum four firefighters. This may be revised to two firefighters for medical first response calls under the rapid response vehicle program so capacity remains at the station to respond to other calls when the need arises. This will help the City avoid scenarios where no vehicle/staff is available to respond to calls (average of 40 such cases each year).

## Opportunity (cont.)

### Staffing model (cont.)

- ▶ Implement a priority dispatch model: Through implementation of a priority dispatch model similar to the medical priority dispatch model in paramedic services, fire services would be able to triage its service calls and ensure it is allocating the right resources (in terms of volume and capabilities) to the right incidents based on priority and severity. The City has already begun to explore this area by cutting back responses to stroke and seizure calls. By implementing a priority dispatch model, if a station which has only two firefighters available on a vehicle (assuming two others are responding to a medical call in a rapid response vehicle), they can still be the primary responders to a call (for low severity calls) or act as the backup crew for another responding station (for higher severity calls).
- ▶ Reduce the number of permanent positions by 24 to 40 by either staffing only one engine/ladder truck from Station 1 or proceed with the closure of Stations 8 and 6 and allowing existing firefighters to operate tanker trucks. The staffing of only one engine or ladder truck from Station 1 could result in the elimination of 16 full-time positions. An additional 16 positions could be eliminated with the closure of one fire station and an additional eight with the elimination of dedicated drivers for the two tankers. Allowing three firefighters to ride in the engine truck with one firefighter driving the tanker to respond to a fire where there is no fire hydrant would support elimination of the dedicated tanker drivers.

### Infrastructure rationalizations

- ▶ The City currently has seven fire stations. The highway and interchange network within the City has improved significantly over the years which could improve the response time.
- ▶ An independent assessment of fire services should be performed to further examine the right size of fire services for the City of Saint John. Our recommendation is that this review be commissioned by the City and not by fire services to support an objective assessment. Refer to Appendix B which illustrates fire station proximity.

### Fire prevention and investigation rationalization/improvements:

- ▶ Wages for fire prevention services: The current fire prevention workforce comprises firefighters who require accommodation or prefer a more regular work schedule. However, the salary scale for these roles has not been adjusted to align with similar services provided by the provincial fire marshal's office. There is an opportunity to reduce fire prevention and investigation spend through implementation of wages and benefits that are more in line with the provinces.

### Implementing fire prevention enforcement capabilities

- ▶ Currently, the ability to enforce compliance with fire safety requirements is limited. Hence, fire prevention must conduct multiple inspection visits to ascertain compliance. Imposing fees for re-inspection cases can increase compliance, reduce fire prevention team workload, and provide a source of revenue for fire services.

### Timely replacement of fire trucks

- ▶ Annual maintenance expenses for fire trucks that are beyond their regular life cycle (~15 years) is a significant expense item for the City which may be avoided through timely truck replacement by allocations in the capital plan. The City should consider creating a reserve for fleet replacement as part of the operations budget,

### Explore MoUs for regional fire response

- ▶ Entering into formal agreements with the fire services of neighbouring municipalities might enable the City to improve response times, availability, and firefighter capacity across all participating municipalities.

### Explore cost recovery opportunities

- ▶ The City is already exploring opportunities to recover costs through fees for services such as hazmat rescue and for training services (Irving Oil, province of New Brunswick, etc.). However additional opportunities exist which can be explored. Municipalities across Canada charge fees for inspections/re-inspections and permits and fines for false alarms. Municipalities like Uxbridge and Bradford, which have populations comparable to Saint John's, have instituted fees for attending to vehicle collisions (charged to insurer of the driver at fault), and for cleaning up hazardous materials. We understand the City is currently working on by-law amendments to address false alarms and nuisance calls as well as fees for response to emergency calls related motor vehicle accidents and hazmat within the City. These revenue streams help to reduce fire services net cost of service and improve financial sustainability.

## Financial impact

- ▶ **Headcount reduction:** The reduction of staffing associated with two engines and two tankers along with potential closure of one fire station provides the opportunity to reduce up to 40 full-time firefighters. This measure should be implemented along with a more effective model to respond to medical calls and flexible staffing on engines and tankers so the impact on fire response capability is maintained close to current levels. The savings associated with 32-40 full-time firefighters would be in the range of \$4M-\$5M, excluding infrastructure operating savings and recovery associated with the reduction of one station and one fire engine.
- ▶ **Revenue generation:** In addition to cost recovery efforts the City is already making, increasing cost recovery through service fees and fines would generate additional revenue for the City. For example, smaller municipalities such as Bradford (ON) recover 4% of their annual costs through revenue streams. Per capita revenues for fire services have been observed to range between \$1.5 to \$7 per capita (sample estimates). Applying this range to Saint John results in ~\$100K to ~\$460K per year in revenues.
- ▶ Additional benefits that can be realized include lower fuel costs by using smaller vehicles in the rapid vehicle response program and reduced wear and tear and maintenance expenses on larger fire equipment.

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
-	\$4M - \$5M	\$100K - \$460K

## Non-financial impact

- ▶ Providing enforcement powers to fire services increases compliance and reduces the overall risk exposure of buildings and, as a result, reduces the number and severity of fires.
- ▶ Use of lighter vehicles to respond to medical emergencies increases fire services availability and reduces response time. It will also reduce the number of instances per year where no response is available (~40 on average).
- ▶ Reducing mandatory staffing levels on engines/tankers will increase the capacity and availability of firefighters, thus reducing fatigue and burnout.

## Dependencies

- ▶ Council approval would be required for institutionalizing a fire services user fee/recovery structure.
- ▶ Fire services by-laws would be required to provide enforcement powers to the department, thereby increasing compliance with fire safety requirements and decreasing fire risk.
- ▶ Reforms are needed in the collective agreements to ease constraints such as minimum staffing levels per vehicle.
- ▶ Buy-in from labour unions is essential if additional capacity is to be made available through initiatives such as the rapid vehicle response program and eliminating duplication with paramedics on medical calls.
- ▶ Provincial consent is required for exploring cost sharing opportunities for medical first response calls.
- ▶ Ability to introduce flexibility into the collective agreement to address the constant manning clause requiring four firefighters on one engine truck to leave the station.

## Risks

- ▶ Lack of Council support to implement a user recovery model.
- ▶ Opposition from unions and collective bargaining groups regarding headcount reductions.
- ▶ Opposition from residents due to safety concerns over reducing firefighter headcount.
- ▶ Improper risk classification of service calls in a priority dispatch model may lead to high severity incidents being assigned a lower priority, thus causing damages.
- ▶ Obtaining agreement from neighbouring municipalities to partner with Saint John through MoUs is a challenge due to the City's elevated risk profile. Also, due to differences in procurement standards and supplies, specifications of firefighting equipment vary across municipalities which could lead to compatibility issues.



High-level implementation activities and timeline			Assumptions
Activity	2020-2021	2022-2023	<ul style="list-style-type: none"><li>▶ Positions can be reduced through attrition to minimize separation costs.</li><li>▶ Flexible staffing can be implemented for medical calls and fire engines. Primary unit should respond with a minimum of four with flexibility for staffing model on supporting units (i.e., allowing smaller medical unit with two firefighters to join two firefighters responding with an engine as a support to the primary units).</li><li>▶ Decisions are made and better triage is implemented to reduce response to medical calls by at least 50%.</li></ul>
Phase 1 - eliminate 16 - 20 FTEs by closing station 8, or staffing one unit in Station 1 with a dedicated driver for tankers	\$2-\$2.5M		
Phase 2 - implement an enhancement to the medical response model and execute the remaining FTE reduction		\$2-2.5M	





## 3.2 Police services



### Service description

Saint John Police Force responds to approximately 55K calls per year and offers the following services:

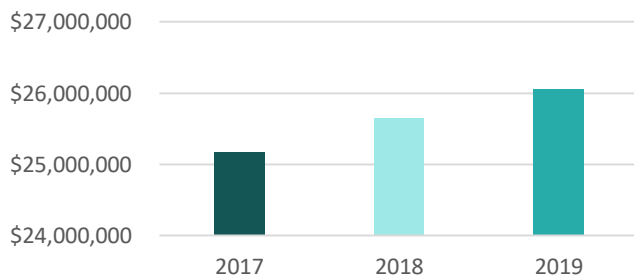
- ▶ Crime prevention, including community policing
- ▶ Emergency response, including autism registry, 911, emergency tactical services, canine unit
- ▶ Law enforcement, including patrol division, criminal investigation division, traffic unit, Fundy integrated intelligence unit
- ▶ Public order and by-law enforcement
- ▶ Victim services and service planning

At \$26M per annum, policing annual expenditure represents ~16% of the total operating budget, and is the City's largest spend category.

The public safety communication centre which is management by the Police Commission has a budget of \$2.5M.

### Financial analysis

Saint John police budget (2017-19)



- ▶ Saint John's police budget has witnessed relatively stable growth of 2% between 2017 to 2019. Current expenditure is approximately \$26M
- ▶ Revenue has dipped by 26% CAGR between 2017 to 2019 and currently amounts to ~\$460K
- ▶ The PSCC budget of approximately \$2.5M is not included in the above graph

### Resources

- ▶ 192 staff - 142 uniformed officers, 20 civilians and 30 public safety communication workers
- ▶ In 2019, Saint John Police Force had 26 sergeants, 110 1st class constables, one 2nd class constable, and two 4th class constables

### Key strengths

- ▶ Lower total crime severity index and violent crime severity index compared to peer municipalities
- ▶ High focus on crime prevention and community engagement
- ▶ Increasing focus on civilianization in the police force

### Key areas of opportunity

- ▶ High per capita service costs compared to peer municipalities pointing to service efficiency opportunities
- ▶ More areas of civilianization available to be explored
- ▶ Partnerships through regional and provincial collaboration

# Police services

## Transforming the delivery of Police Services

Financial and fiscal impact	\$1.5-\$1.7M	Level of risk	Moderate
Timeline to realize benefits	3+ years	Ease of implementation	Requires significant change

### Case for change

- ▶ Saint John's police services costs per capita are \$373, which is higher than the median cost (\$332) across comparable municipalities (assessed as part of the benchmarking exercise). The number of service calls/crime incidents are also impacted by the large number of commuters who transit into the City to work, tourist footfalls, illegal activities through the port (e.g., smuggling), and entry of illegal migrants into Canada via Saint John. The need to respond to these activities increases the City's policing costs, which results in higher property taxes for residents.
- ▶ High levels of spending on police services is consistent across New Brunswick municipalities. The province has nine police forces for a population of ~700,000. As a comparison, the Region of Peel has one police force for a population of 1.3M. This causes duplication among many administrative functions which leads to excess costs for all municipalities within the province. A study on the regionalization of police forces within the province is underway but not yet released.
- ▶ Restrictive collective bargaining agreements which limit the flexibility in managing workforce levels, responsibilities, and wages also contribute to rising police services costs.

### Opportunity

#### Improving civilianization by expanding the provisions within collective bargaining agreements

- ▶ Increase civilianization in existing roles: Civilianization can be improved in the administrative division (three sworn officers) and court services (two sworn officers) as these are allowed in the current collective bargaining agreement. The new collective bargaining agreement may also be modified to allow civilianization in forensic services and low-risk investigation services that do not require the skills of a sworn police officer (e.g., Motor vehicle accident ("MVA") investigation. Note: Positions overseeing fleet and facilities management may also be backfilled by the City of Saint John as a shared service):
  - ▶ Civilization examples include by-law enforcement calls, forensics, first-on-the-scene to non-injury related accidents and accident reconstruction
- ▶ Triage dispatch based on risk: It was observed that approximately 20% of service calls (motor vehicle accidents 4%, parking/driving complaints 11%, family services and mental health 2%, disturbances, animal control and other municipal by-law violations 2%) could be classified as low risk and civilian police officers may be dispatched to manage these. (Note: By-law related calls are handled by non-police entities such as by-law enforcement in many municipalities)

#### Collaboration at provincial and federal levels

- ▶ Increase collaboration with RCMP and/or other police forces in New Brunswick to eliminate duplication of services (especially highly specialized services such as forensics) between municipal police forces. Cost sharing mechanisms (e.g., loaning Saint John police officers to RCMP to work on specialized crimes such as cybercrimes) would help reduce costs to the City.

#### Modification of shift timings to save in-lieu time

- ▶ The current 12-hour shifts (two days and two nights) for police officers leads to 102 hours of in-lieu time per officer per year. For the current strength of 102 sworn officers in patrol services, this totals 10,404 hours provided as in-lieu time. Modifying the collective bargaining agreements to move to an 11-hour shift would help the City eliminate this in-lieu time, and create additional capacity within the police force, as this in-lieu time can be used for training purposes or re-allocated to areas within policing that are in need of resources.

## Opportunity (cont.)

### Improved rostering and scheduling to avoid overtime

- Due to capacity constraints, the police force backfills vacant shifts by paying overtime (time-and-a-half) to its available officers. Improved rostering and scheduling practices may help the City reduce its overtime costs. Elimination of the 2.5% shift differential (pay for night shifts) would also reduce costs (e.g., Fredericton does not have this provision).

### Improve technology ecosystem to boost productivity

- The police force currently faces several constraints in its technology ecosystem including an outdated records management system which entails considerable duplication of efforts (re-entering information in multiple systems), thus causing data management delays or errors. The use of Dictaphones to support report writing also limits productivity when options such as voice to text technologies are available to improve the time, effort, and quality of report writing.

### Standardization of procurement

- Police forces across the province have different standards and specifications for their equipment and materials. If forces need to collaborate with each other on operations or service calls, there are compatibility issues with equipment (e.g., radios, rifles etc.). If the province of New Brunswick imposes standards and specifications for equipment, this could eliminate compatibility issues, but also enable police forces to conduct joint procurement of equipment and improve purchasing power through economies of scale, thus reducing costs.

### Financial impact

- Civilianization of roles currently accepted in collective bargaining agreements: Converting five uniformed positions within administration and court services to civilian positions may enable the City to save between 200K-250K annually (assuming civilian pay scales are 40%-50% less than the average pay for uniformed officers, approximately 100K).
- Civilianization of additional roles: Modifying the civilianization criteria to enable civilian police officers respond to low-risk service calls (20% of total calls) would enable the City to convert 20% of its patrol strength (102) to civilians and could enable the City to save between \$806K-\$1.02M
- Reverting to a 11-hour shift is estimated to save the City \$400K of in-lieu time annually.
- Rostering: Improved rostering and scheduling practices may enable the City save over 10% of its overtime costs (estimate based on case studies of similar implementations in public sector organizations). This is approximately \$70K based on an average of the last five years.
- Procurement consolidation: Exploring joint procurement with police forces of other New Brunswick municipalities may enable the City to reduce procurement costs due to increased economies of scale. This is estimated to be between \$75K-\$370K based on average spend over the last five years (the estimated savings have not been included in the total estimated savings for police services).
- Cost recovery/partnerships with RCMP: Partnering with the RCMP or entering into cost sharing agreements to address issues such as digital/cyber-crime, organized crime, illegal migration, smuggling through the ports etc. would enable the City to reduce costs.

### Non-financial impact

- Reduced shift duration may increase the capacity and availability of police officers, thus reducing fatigue and burnout.
- Increased digitization and enhanced use of technology in policing would improve the productivity of both front line and support service police officers. While there is an upfront investment associated with digitization, the City should assess the benefits against those costs.
- Improved talent and performance management systems that are not solely reliant on seniority may boost the performance of police officers and increase the attractiveness of Saint John police services as an employer.

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
-	\$1.5M - \$1.7M	-



Dependencies
<ul style="list-style-type: none"><li>▶ Implementing new shift durations and rostering will require a detailed assessment of the current constraints imposed by collective bargaining and the impact on service levels; this assessment should be rigorous to ensure that unintended consequences are minimized and do not need inclusion in the next round of bargaining.</li><li>▶ Support from the province and the RCMP would be required to explore policing partnerships and cost-sharing arrangements.</li><li>▶ Provincial directions would be required for all police forces to standardize equipment in a manner that facilitates cross collaboration and joint procurement.</li></ul>

Risks
<ul style="list-style-type: none"><li>▶ Opposition from unions and collective bargaining groups regarding headcount reductions and increased civilianization.</li><li>▶ Opposition from residents due to safety concerns from increasing civilian police headcount.</li><li>▶ Improper training provided for civilian police officers would impact City service levels.</li><li>▶ Obtaining agreement from all municipalities to standardize equipment specifications would be a challenge.</li><li>▶ The current binding arbitration processes could pose an impediment to achieving some of these recommendations.</li></ul>

High-level implementation activities and timeline				
Activity	2020	2021	2022	2023
Negotiate changes to civilianization in collective bargaining				
Implement rostering and changes to shift duration				
Negotiate partnerships with RCMP on cost sharing and				

Assumptions
<ul style="list-style-type: none"><li>▶ Savings through civilianization may be realized only through attrition as existing uniformed officers cannot be replaced by civilians due to constraints in the collective bargaining agreements (unless re-negotiated in the current round of bargaining).</li><li>▶ Calculations for savings through civilianization have been made by assuming an average salary of \$100K per uniformed officer (excluding benefits). It is also assumed that civilian salaries are 40%-50% lower. Realized savings may vary based on the actual salaries of repurposed positions</li></ul>



### 3.3 Saint John Energy

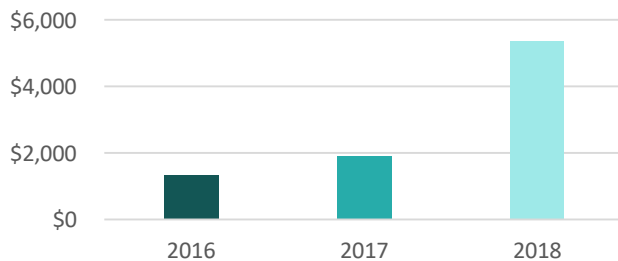


#### Service description

- ▶ Saint John Energy rebranded in 1997. Originally created by SJ Council in 1922 as the SJ Power Commission or Civic Hydro, Saint John Energy purchases its energy from NB Power and distributes it to residential and commercial customers within the City boundaries.
- ▶ SJ Energy has a strong focus on innovation and has created a long-term growth strategy built on renewable energy, smart energy services and strategic partnerships to deliver innovative energy solutions.
- ▶ City of Saint John residents enjoy reduced energy rates ~10% compared to NB Power, while Saint John Energy remains focused on being agile and efficient.
- ▶ The interpretation of existing legislation has not allowed the utility to pay a dividend to its shareholder (the City), in contrast with many other Canadian municipal utilities. Several municipal utilities provide an average dividend of approximately 50% of their net income or free cash flow to their municipalities.

#### Financial analysis

##### Net income



##### Net income:

- ▶ Net income for SJE increased by over \$5M since 2016 with the introduction of new growth initiatives
- ▶ It is also important to note that investments in property plant and equipment has also increased substantially over the past three years, which significantly impacts the cash available to support dividend payments

#### Resources

- ▶ There are 102 FTEs at Saint John Energy with 452 direct, indirect and induced jobs.

#### Key strengths

- ▶ Innovative growth plan
- ▶ Strong customer service
- ▶ Low energy rates

#### Key areas of opportunity

- ▶ Contribute to the City's operations
- ▶ Contribute to an opportunity to reduce property taxes for residents

# Saint John Energy

## Saint John Energy ("SJE") dividend contribution

Financial and fiscal impact	\$4.5-\$8.2M	Level of risk	High
Timeline to realize benefits	2-5 years	Ease of implementation	Requires significant change

### Case for change

The province of New Brunswick does not allow municipalities who own an energy utility company to collect a return on their investment. Other Canadian municipal utilities provide dividends to their municipal owners as a percentage of Net Income ("NI")

- ▶ EPCOR - Edmonton Alberta (56% of FY18 NI \$295M)
- ▶ London Hydro - London Ontario (54% of FY18 NI \$18M)
- ▶ Toronto Hydro - Toronto, Ontario (46% of FY18 NI \$156M)
- ▶ KW Hydro - Kitchener, Ontario (41% of FY18 NI \$10M)
- ▶ Hydro Ottawa - Ottawa, Ontario (57% of FY18 NI \$36M)
- ▶ Enwin - Windsor, Ontario (63% of FY18 NI \$8M)

### Opportunity

There are two key opportunities that the City could explore with SJ Energy:

- 1. Optimize the asset and pay a dividend to the City in the range of 50 to 60 percent of net income:** SJ Energy has built a growth agenda focused on innovation through renewable energy, smart energy services and strategic partnerships. SJE is in a strong financial position and could provide another source of revenue to the City by contributing a dividend:
  - ▶ SJ Energy management identified that it could contribute between \$1.7M and \$4.8M annually to the City of Saint John based on various growth scenarios ranging from moderate to aggressive.
  - ▶ If SJ Energy were to increase its energy rate to be consistent with NB Power's energy rate, net income and free cash flow could be further increased by \$8M-\$9M annually. Assuming a dividend rate of 60% for the increase in net income, SJE could pay an incremental dividend of \$4.8M-\$5.4M. When combining the dividend from the growth scenarios with the increase in energy rate, SJE could pay a dividend of approximately \$6.5M-\$10.2M. Concurrently, the City would lose current energy savings of approximately \$2M annually which would reduce the net benefit to \$4.5M-\$8.2M. A higher dividend rate could be considered to flow the entire increase in net income arising from the increased power rate, which would provide an incremental benefit of \$3.2M-\$3.6M. We did not include this additional opportunity in our estimates to remain conservative as there are no guarantees associated with the forecasted growth plans.
  - ▶ By increasing energy rates to be consistent with NB Power's, there is an opportunity for the City to reduce property taxes and consider providing a rebate program to ensure that low-income residents who are not property owners are not put at a greater disadvantage from increased energy rates. Decreasing the City's property taxes would be a strong measure to attract residential and commercial investments in the City which could stimulate additional growth in property tax revenue.

## Opportunity (cont.)

2. **Sell the asset:** An alternative scenario would be, the Province amend legislation to enable the City to sell the municipal utility asset and invest the capital or pay down the debt.
  - ▶ Based on publicly available information, power distribution companies in Canada and the US trade in a range of approximately 8x-12x EBITDA, subject to:
    - ▶ Most of the transactions with publicly disclosed information were for companies significantly larger than SJ Energy situated in regions with growing populations in high density areas, and
    - ▶ Diversified energy companies (including distribution, generation and transmission) traded at the low end of the 8x-12x EBITDA range
  - ▶ Other factors that would influence value and would need to be better understood include:
    - ▶ Mini-splits division, wind power project and other adjacent growth opportunities
    - ▶ Contractual relationship between SJ Energy and NB Power
    - ▶ Historical and forecast mix of sustaining vs. growth capital expenditures, and
    - ▶ How much of the \$10M annual savings (\$8M to consumers and \$2M to the City) referenced on SJ Energy's website could be recovered by a private buyer through power rate increases
  - ▶ We understand that the City and SJ Energy have requested valuation of the asset; therefore, this element was not in scope for our review.

The municipal utility is also able to leverage federal funding which may be more difficult to attract under a different model.

**Recommendation:** Assuming that the province interprets the existing legislation in a manner that would enable dividends to flow back to the City, our recommendation is to optimize the asset and pay a dividend to the City in the range of 50 to 60 percent of net income. If optimizing the asset is not feasible due to legislative constraints and legal barriers, the City should proceed with the sale of the asset and protect its proceeds while enabling the interest income benefit to flow through as a property tax reduction and contribute to operations.

### Financial impact

- ▶ SJ Energy identified that they could contribute between \$1.7M and \$4.8M annually to the City based on various growth scenarios ranging from moderate to aggressive.
- ▶ SJ Energy increases energy rate to be consistent with NB Power's resulting in increased net income and free cash flow by \$8M-\$9M. Assuming a dividend rate of 60% for the increase in net income, SJE could pay an incremental dividend of \$4.8M-\$5.4M. Combined annual dividend from the growth scenario and increase in energy rate would result in \$6.5M-\$10.2M. Concurrently, the City would lose current energy savings, approximately \$2M annually, which would reduce the net benefit to \$4.5M-\$8.2M.
- ▶ A higher dividend rate could be considered to flow the entire increase in net income arising from the increased power rate which would provide an incremental benefit of \$3.2M-\$3.6M. We did not include this additional opportunity in our estimates to remain conservative as there are no guarantees associated with the forecasted growth plans.

### Non-financial impact

- ▶ Positioning SJ Energy as an innovation hub for the City to attract new residents and businesses.

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
-	-	\$4.5M - \$8.2M





**Dependencies**

- ▶ Dependent on government appetite to support changes to/re-interpretation of current legislation.

**Risks**

- ▶ Energy rate payers may negatively react to increased energy rates.
- ▶ Low-income residents who rent housing would be negatively impacted by rate increases. Programs can mitigate this.
- ▶ The province is not willing or supportive in adapting the legislation to support return on equity and payment of dividends.
- ▶ Raising energy rates may put SJ Energy in a position where it must to be regulated, resulting in more planning and costs.

**High-level implementation activities and timeline**

Activity	2020	2021-2022
Propose and implement legislative changes		
Implement energy rate escalation and declare first dividend		

**Assumptions**

The analysis was based on the following assumptions:

- ▶ Provincial government support to modify the legislation.
- ▶ Support from SJ Energy board and management to implement a dividend policy.
- ▶ Support from SJ Energy board and management to implement an energy rate increase.
- ▶ Matching of NB Power rates over a period of time to achieve the top end of the benefit.





## 3.4 Municipal buildings

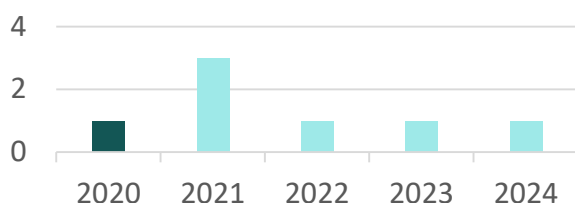


### Current state

- ▶ The City of Saint John owns seventy-seven (77) buildings with an additional fifty-plus (50+) Saint John Water buildings.
- ▶ These buildings were valued at approximately \$100M (2019 assessment values) total, excluding the Saint John Water buildings (these buildings ranged in assessed value from \$70K to over \$17M).
- ▶ The City is currently undertaking opportunities with respect to municipal buildings including various sustainability ideas, public expressions of interest (EOIs), relocation of City employees, improvement of City assets, and divesting of assets.
- ▶ Based on preliminary observations, of the seventy-seven (77) City-owned buildings, EY, in consultation with the City of Saint John, has identified nineteen (19) potential opportunities for the City to consider further, that have not already been presented to Council via the CSJ Sustainability Ideas. These opportunities differ in scope and magnitude, and are discussed further in the Opportunity section of this municipal buildings business case.

### Financial analysis

Provided there is market demand, the following graph represents the pace of divestiture in dollar value.



#### Revenue:

- ▶ Using the 2019 assessment values for municipal buildings and coordination with the City of Saint John, EY has identified approximately \$6.0M in potential sales opportunities, excluding where further assessment is required per Appendix C. This has been spread out in the table above from 2021-2024.

#### Cost savings:

- ▶ Certain buildings' operations and utilization improvements could have a financial benefit to the City, however, further assessment is required to quantify this benefit. These are identified in Appendix C.

#### Expenditure:

- ▶ To gain an understanding of the true market value of these opportunities, the City will need to perform operations and utilization assessments as well as property appraisals in 2020.

### Resources

- ▶ N/A.

### Key strengths

- ▶ Municipal buildings opportunities for the City to consider:
  - ▶ Sales and leases; and
  - ▶ Operational and utilization assessments
- ▶ Divesting of assets or developing more efficient operations and utilization of municipal buildings will result in savings for both the City and its residents.

### Key areas of opportunity

- ▶ Appendix C identifies the nineteen (19) municipal buildings opportunities identified in coordination with the City of Saint John.

# Municipal buildings

## Assets and infrastructure

Financial and fiscal impact	\$5-\$6M	Level of risk	Moderate
Timeline to realize benefits	2-3 years	Ease of implementation	Requires significant change

### Case for change

- ▶ Divesting of surplus municipal buildings will result in one-off disposal cash revenues for the City.
- ▶ Developing more efficient operations and utilization of municipal buildings will result in longer-term savings for both the City and its residents.
- ▶ In addition, disposal of properties will lead to tax savings for the City and generate revenues from third-party property taxes.

### Opportunity

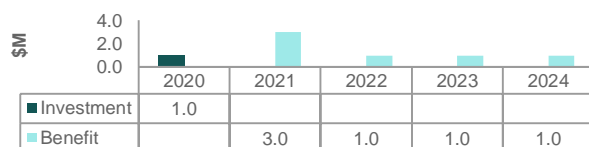
- ▶ Of the seventy-seven (77) City-owned buildings, EY has identified nineteen (19) potential opportunities for the City to explore, broken down into; divesting of certain Municipal Buildings or identifying potential cost savings by performing operational assessments (E.g. Aquatic Centre, Lord Beaverbrook, TD Station). Divesting opportunities could yield \$6 million based on 2019 Assessment Values. Although, the value of the cost savings from increased operational/utilization efficiencies were not quantified, however we have identified the Municipal Buildings where operational assessments should be performed to determine potential cost savings. See Appendix C for more details.
- ▶ It should be noted that the value of opportunity column within Appendix C shows values based on 2019 assessments. These may differ from the actual market value of the opportunity and EY therefore recommends reviewing the opportunities and subsequently performing property appraisals to gain a more accurate depiction of the market value of each opportunity.

#### Financial impact

- ▶ Using the 2019 assessment values for sales opportunities, EY has identified approximately \$6.0M in opportunities, excluding opportunities where further assessment is required.
- ▶ EY believes operations and utilization improvements to certain buildings could have a financial benefit to the City; however, further assessment is required to quantify these and their operational savings have therefore not been included in this business case.
- ▶ The first year will require the City to invest in property appraisals to identify the true market value of the sales opportunities and operational assessments to confirm and quantify operational savings.
- ▶ The following tables are high-level estimates based on the opportunities, see Appendix C for breakdown of timing of savings.

#### Non-financial impact

- ▶ Performing operational and utilization assessments will help identify inefficiencies in the City of Saint John's municipal buildings.
- ▶ Change management to improve operations will be required after identification of inefficiencies.
- ▶ Divesting of properties or using them more efficiently and effectively can encourage growth and new businesses and opportunities which could benefit the citizens of Saint John and attract greater levels of tourism.



One-time savings	Annual savings	Revenue
\$5M - \$6M	-	-

## Dependencies

- ▶ Coordination with various City departments. This includes Saint John Water, to identify opportunities with its approximately fifty (50) owned municipal buildings.
- ▶ Council approval for operational/utilization assessments and property appraisals in 2020 to gain a better understanding of the opportunities' true market value.
- ▶ Council approval for divesting of municipal buildings.

## Risks

- ▶ Market interest in municipal buildings.
- ▶ Minimal inefficiencies found and clear opportunities for municipal infrastructure rationalization have already been explored.
- ▶ Push-back from the public on divestiture of certain buildings (e.g., TD Station, Canada Games Aquatic Centre).

## High-level implementation activities and timeline

	Activity 1	Activity 2
2020	Operational / utilization assessments	Property appraisals
2021	Using identified opportunities, implement operational and utilization improvements	Divest municipal buildings where possible
2022	Continued improvements	Continued divestures
2023	Continued improvements	Continued divestures

## Assumptions

The analysis was based on the following assumptions:

- ▶ There is market interest in municipal buildings
- ▶ There are operational/utilization inefficiencies in buildings identified by the City of Saint John as outlined in Appendix C

Data Sources:

- ▶ 2019 Property assessments
- ▶ Input from the City of Saint John
- ▶ CSJ Sustainability Ideas presented to Council

## 3.5 Municipal lands

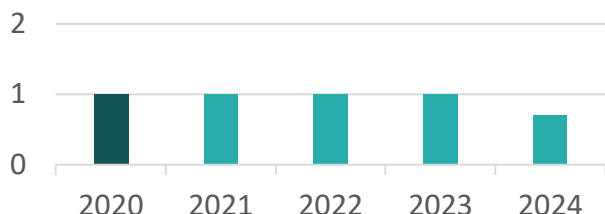


### Current state

- ▶ The City of Saint John owns approximately fifteen-hundred (1,500) pieces of land, four-hundred and twenty-one (421) of them labelled as vacant.
- ▶ The vacant lands have a combined 2019 assessment value of approx. \$4.6M. Additional work is required to confirm market values. The top 21 lands (worth \$50K or higher) make up \$1,927,900 or 42.0% of the total vacant land value, and the top 48 lands (worth \$25K or higher) account for \$2,853,500 or 62.0%.
- ▶ There are additional land opportunities that were previously rejected by Council that may be worth revisiting based on changing circumstances and the City of Saint John's current financial position. The land opportunities that were previously rejected by Council have a 2019 assessment value of approximately \$1.87M..

### Financial analysis

Provided there is market demand, the following graph represents potential divestiture of lands.



#### Revenue:

- ▶ Using the 2019 assessment values for vacant land valued above \$25,000, EY has identified \$1.88M in potential sales opportunities, depending on the usability of the land.
- ▶ Using the 2019 assessment values for land previously presented to Council, EY has identified \$1.87M in potential opportunities, pending Council approval.
- ▶ Following property appraisals in 2020, as noted in the expenditure section below, there is \$3.7M (2019 assessment value) in revenue potential assuming there is market interest in the lands stated above. This has been spread out in the table above from 2021-2024.

#### Expenditure:

- ▶ To gain an understanding of the true market value of these opportunities, the City will need to perform land appraisals. This is identified in the table above in 2020.
- ▶ The first year will require expenditures to the City to invest in property appraisals.

### Resources

- ▶ N/A

### Key strengths

#### Vacant lands

- ▶ There is over \$4M of vacant land owned by the City and likely additional opportunities not identified as vacant land.

#### Other lands

- ▶ Given circumstances for rejection may have changed and that the City is in a different financial state than when land development opportunities were previously presented and rejected by Council, revisiting them may prove financially beneficial.

### Key areas of opportunity

- ▶ Appendices D-1 and D-2 identify vacant land opportunities and land opportunities previously presented to Council, respectively.

# Municipal lands

## Assets & infrastructure

Financial and fiscal impact	\$3.2M - \$3.7M	Level of risk	Lower
Timeline to realize benefits	3+ years	Ease of implementation	Requires some change

### Case for change

#### Vacant lands

- ▶ The City owns over \$4M in vacant land and likely additional opportunities not identified as vacant land. As the City is looking for budgetary opportunities, there is potential to divest or lease lands.
- ▶ Divesting of land for the purposes of economic and tax base growth is a strategic approach to optimizing the asset.

#### Other lands

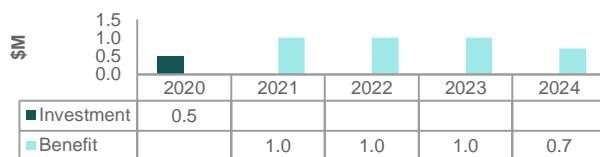
- ▶ Given that circumstances for rejection may have changed and that the City is in a different financial state than when land development opportunities were previously presented and rejected by Council, revisiting them may prove financially beneficial.

### Opportunity

- ▶ Refer to Appendix D.1 to review the vacant lands valued over \$25K. Given that these lands make up 62.0% of the total vacant land value, EY recommends the City coordinate with the departments owning these lands to identify opportunities. Solely based on the 2019 assessment values and quantity of land, EY recommends the City first coordinate with the Department of Recreation and Saint John Water to identify opportunities. These departments have the top two (2) quantities of land, as well as the most land valued over \$25K.
- ▶ Given the number of smaller parcels of land, the City may also consider a system for the wider public to proactively make offers for the sale of vacant City land.
- ▶ Refer to Appendix D.2 to review opportunities on land previously presented to Council with EY recommendations to be re-considered.
- ▶ Note: Opportunities are contingent on demand for the land and represent only a one-time gain that cannot be used to address the structural deficit.

## Financial impact

- ▶ Using the 2019 assessment values for vacant land opportunities as per Appendix D-1, EY has identified \$1.88M in potential opportunities, depending on the usability of the land.
- ▶ Using the 2019 assessment values for land previously presented to Council as per Appendix D-2, EY has identified \$1.87M in potential opportunities, pending Council approval.
- ▶ To gain an understanding of the true market value of these opportunities, the City will need to perform appraisals.
- ▶ The first year will require the City to invest in property appraisals.
- ▶ In some cases, the assessment value may not reflect market value and an effective way to assess the financial impact is to determine the projected annual tax revenue based on the market value of the lands.



Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
\$3.2M - \$3.7M	-	-

## Non-financial impact

- ▶ Encouraging better use of existing land for residents and tourists.
- ▶ Increasing the property tax base may have financial and non-financial benefit.
- ▶ Development of land in a city implies progress.

## Dependencies

- ▶ Coordination with various City departments to determine opportunities, specifically the Department of Recreation and Saint John Water which have the highest number of vacant land opportunities as well as the highest valued lands.
- ▶ Rezoning of certain park lands as outlined in Appendix D-2
- ▶ Council approval for property appraisals.
- ▶ Council approval for divesting of land.

## Risks

- ▶ Market interest in land.
- ▶ Push-back from the public on rezoning of park lands, for example on Sandy Point Road and development of Tucker Park.
- ▶ Business case is contingent on there being a demand for land within the City of Saint John



## High-level implementation activities and timeline

	2020	2021	2022	2023
#1	Property appraisals	Sell land where possible	Continued divestures	Continued divestures
#2	Council approval			
#3	Coordinate with potential buyers			

## Assumptions

The analysis was based on the following assumptions:

- ▶ The vacant land is marketable
- ▶ There is market interest in the land
- ▶ The various City departments will provide required input

### Data Sources:

- ▶ 2019 property assessments
- ▶ Input from the City of Saint John
- ▶ EY CSJ Sustainability ideas presented to Council
- ▶ 3 and 8 cut sheets
- ▶ Land - parking lots



## 3.6 Procurement



### Current state

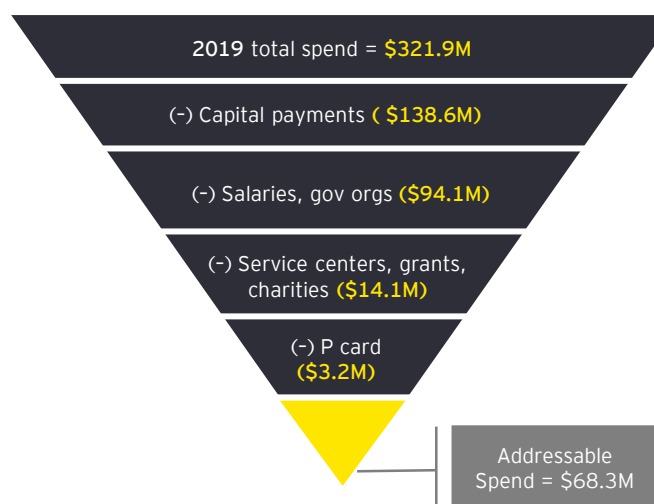
The City's Material Management Division is responsible for facilitating the procurement of goods, services and construction contracts for all City departments (with the exception of the Municipal Operations Department), and Police services.

The Municipal Operations Department is responsible for infrastructure contracts and professional services procurement.

Key responsibilities of the procurement function includes the following:

- ▶ Assisting departments with the development of specifications
- ▶ Promoting fairness and competition;
- ▶ Establishing and maintaining a list of potential bidders
- ▶ Executing tenders and RFPs. and
- ▶ Establishing and maintaining an inventory of commonly used parts and materials

### Financial analysis



### Resources

- ▶ There are three FTEs within the Material Management Department (excluding Municipal Operations Department) who are responsible for facilitating procurement of goods, services and construction contracts

### Key strengths

- ▶ Purchasing for the most part is centralized for the City of Saint John
- ▶ The City leverages provincial contracts (on occasion) to take advantage of competitive pricing
- ▶ RFP templates are well structured and promotes competitive bidding and fairness

### Key areas of opportunity

- ▶ Shared services
- ▶ Strategic sourcing and category management
- ▶ Contract management
- ▶ Reduction of payment vouchers
- ▶ Red-tape reduction

	Savings low	Savings high
Savings	2%	7%
	\$1.2M	\$4.4M
Assumptions	<ul style="list-style-type: none"> <li>▶ Addressable spend excludes fleet (as it is included in a separate case). A baseline exercise is required to further refine savings.</li> <li>▶ Low savings assumes City adoption of strategic sourcing and contract management principles to manage its addressable spend.</li> <li>▶ High savings assumes creation of a shared services function responsible for category management and strategic sourcing, for various entities (ABCs) and municipalities.</li> </ul>	



# Procurement

## Procurement enhancement

Financial and fiscal impact	\$1.2-\$4.4M	Level of risk	Moderate
Timeline to realize benefits	2-3 years	Ease of implementation	Requires significant change

### Case for change

- ▶ The procurement function is currently viewed as a buyer of goods and services and lacks the strategic capabilities (processes and governance) to provide strategic business services to the departments. As a result, goods and services are sourced as required, and there is no formal strategy in place to look at the spend from a holistic perspective.
- ▶ Duplication of procurement activities across ABCs (i.e., each entity procures goods and services separately - case for shared services).
- ▶ Tri-city procurement occurs randomly and participation by entities is optional.
- ▶ Lack of a formal contract management process (no evidence within the City's procurement policy).

### Opportunity

EY has identified five potential opportunities to drive financial and non-financial benefits:

1. **Shared services:** Implementation of shared services to manage spend portfolio effectively (reducing procurement costs, increasing savings, improved contractual relationships).
2. **Strategic sourcing and category management:** Adoption of category management and strategic sourcing principles to reduce Total Cost of Ownership (TCO).
3. **Contract management:** Adoption of contract management practices to reduce value leakage. Spend can be managed effectively by automating the invoice validation process.
4. **Reduction of payment vouchers:** Streamline process and increase control.
5. **Red-tape reduction:** Increasing the spending authorization limit for department heads so that bottlenecks are not created for Council approvals to go to market for procurement for items that have already been approved in the budget. The spending limit may be categorized based on the type of purchase and its associated risk.

*Note: That approximately 50% of estimated savings will not affect the operating budget of the City but will flow to SJ Water, Transit and Parking Commission and the Police Commission.*



## High-level implementation activities and timeline

## Assumptions

Work stream	High-level activities	2020	2021	2022	2023
Shared services	Obtain approval to proceed with shared services				
	Implement shared services				
	Define and implement benefits tracking approach				
Collaborative sourcing	Obtain spend data from different entities				
	Conduct spend and contract analysis				
	Develop sourcing strategies				
	Execute sourcing opportunities				
	Execute non-sourcing opportunities				
Contract management	Develop process for contract management				
	Implement contract management process				
Project management and change management					

### Savings Assumptions

- Addressable spend: Spend excludes capital spend, salaries; payments to service centers, government organizations, charities, grants; fleet (covered in a separate business case); and p-card spend. In 2019 the addressable spend was \$68.3M. A detailed spend analysis is required to calculate the baseline. Historical spend is dependent on various factors such as changes in demand, new projects. Organizations typically apply savings to baseline spend, as it factors changes in demand and inflation. See Appendix E.
- Low savings range1,3: Assumes the procurement function adopts strategic sourcing and contract management principles to manage addressable spend for the City of Saint John only.
- High savings range2,3: Assumes creation of a shared services function responsible for category management and strategic sourcing, for various entities (ABCs) and municipalities within the region (Fredericton and Moncton)
- Savings mechanism (non exhaustive list):
  - Combining volumes across entities and geographies.
  - Standardization of specifications and leveraging substitutes.
  - Development of processes and procurement to manage demand.
  - Development of contract management processes and procedures to eliminate maverick spend and manage compliance.

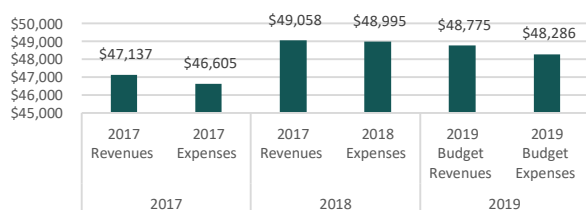
## 3.7 Saint John Water



### Current state

- ▶ Saint John's water system is one of the oldest in Canada and it is the largest and most complex in New Brunswick with approximately 500 kilometres of distribution and transmission water pipes buried beneath the ground across the City that provide drinking water to 17,000 residents, industrial water for businesses and collects and treats wastewater for the City.
- ▶ Saint John Water has been a key area of focus for the City over the past several years with large transformational changes involving large capital expenditures such as the harbour clean-up costing \$100M from 2009 to 2014, and the Safe and Clean Drinking Water Project (SCDWP), costing \$216.8M, from 2016 to 2019. Drinking water quality has moved from not meeting provincial and national drinking water standards to now meeting or exceeding provincial and national drinking water standards.
- ▶ Saint John Water has initiated various revenue generating opportunities in the past and is currently working on additional opportunities: charging for water and service as long as a building is still standing (\$90K/year); engaging in lease agreements with Bell and Eastlink to rent the water towers (\$37K/year); providing watermain tapping services to the private sector (\$10K-\$15K/year) and exploring opportunities with Saint John Energy.
- ▶ Saint John Water has also initiated various cost reduction initiatives such as reducing fleet numbers (\$62K/year), notifying the public via web instead of paper (\$46K/year), eliminating staff positions (\$250K/year), funding capital through the operating budget, and conducting earlier tendering.

### Financial analysis



- ▶ Saint John Water is operating with an annual surplus that averages \$1M.
- ▶ Operating budget for 2019 was estimated at \$48M and the capital budget (utility share) at \$4.7M.
- ▶ The largest areas for capital expenditure is for infrastructure renewal for water and sanitary
- ▶ New ground water system (2017) and new water treatment plant (2018); resulted in significant cost increases for chemicals, professional services relating to the operation of the facility, property taxes.
- ▶ Wages and benefits made up 21% of expenditures in 2019.

### Resources

- ▶ 13.6 FTEs in management positions
- ▶ 0.6 legal FTEs are shared across service areas
- ▶ 14 FTEs are part of the Local 486
- ▶ 84 FTEs are part of the Local 18

### Key strengths

- ▶ Completion of new water treatment facility
- ▶ Steady financial performance that turns a surplus
- ▶ Aggressive plan in place to quickly pay off debt
- ▶ Strong focus on revenue generation activities

### Key areas of opportunity

- ▶ Expand revenue generation activities and contribute to the general fund
- ▶ Utilize the utility's capacity to serve other municipalities
- ▶ Optimize staffing and fleet operations

# Saint John Water

## Saint John Water optimization and contribution to general fund

Financial and fiscal impact	\$1.1M-\$1.6M*	Level of risk	Moderate
Timeline to realize benefits	2-3 years	Ease of implementation	Requires significant change

\*Not all contributes to general fund

### Case for change

#### Jurisdictional evidence/research

- ▶ Epcor started as Edmonton's power and water utility and today operates as a commercial entity with an independent board of directors and a single shareholder (the City of Edmonton). It has expanded and now provides water and wastewater treatment services in western Canada, Arizona, New Mexico and Texas; natural gas distribution in Ontario and Texas; electricity distribution in Edmonton and Ontario; and other lines of business. In 2019, it generated \$171M in dividends for the City (this is up from \$60M in 1996).
- ▶ Several cities, such as Saskatoon (SK), Edmonton (AB) and Hamilton (ON), have adopted a rate structure where lower rates are used for basic household needs and higher rates for discretionary consumption such as lawn water and pools.

#### Internal constraints

- ▶ Management is constrained by the minimum number of Local 18 outside workers in the collective agreement. Currently, there are more workers within the division than necessary to maintain current operations. In addition, the restrictions in the collective agreement are preventing water services from achieving an optimal span of control.

#### Contribution to general fund

- ▶ Saint John Water is producing a surplus, and could contribute to the general fund if legislation did not restrict the payment of dividends to the City's general fund.

### Opportunity

#### Reduce workforce and adjust the span of control :

- ▶ Reduce general workforce across Water Services areas by 6 to 11 FTEs
- ▶ Reduce operators by 4 FTEs
- ▶ Add 2 superintendent FTEs (to enhance oversight and productivity)
- ▶ Reduce the number of designated operator positions from 16 to 7 (reduction from the DO level to Job Level 6 in wages - not a reduction in FTEs),
- ▶ To optimize the span of control across departments and potentially other service areas, it is also recommended that the operators are pulled from the unions and that there is an increase in direct reports.
- ▶ Annual savings are estimated at \$990K - \$1.4M

#### Serve other municipalities

- ▶ Currently, there are pipes in place that run from the City to Rothesay, making it possible for the City to provide Saint John Water services to the Town of Rothesay and neighbouring local service districts. Given the infrastructure in place, proximity and new facilities, the City is in a strong position to serve the Town of Rothesay, which could result in increased annual revenues of \$150K to \$200K. Rothesay would benefit from high-quality water service, limited maintenance and staffing costs. In addition, the City's strong operational services could be provided to other municipalities through positioning itself as a centre of excellence for operational water services. Through increased revenue generated by serving other municipalities, Saint John Water services could direct these revenue into the general fund through the payment of dividends, similar to Saint John Energy. However, given the roadblocks in place on paying dividends to the City, there is a requirement for legislation to be revised to support this funding model.

## Opportunity (cont.)

### Reduce number of fleet

- ▶ See Fleet Business Case for more information.

### Metering solution

- ▶ There are additional savings opportunities that would be contingent on a water metering installation initiative. The current business case for metering is not favourable in its current state, although there is potential for a favourable business case in the future. At this time, it is suggested that alternative opportunities be explored that could have a more considerable financial impact on addressing the City's deficit.

### Financial impact

The following outlines the approximate financial impact on the City for each of the proposed opportunities:

- ▶ Reduce workforce and adjust the span of control: \$990K - \$1.4M.
- ▶ Adjust the span of control to reach optimal efficiency.
- ▶ Serve other municipalities: \$150K-\$200K per year.
- ▶ Reduce fleet numbers: See the fleet business case for more information.
- ▶ Alternative metering solution: More detailed analysis on the opportunity is required.

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
-	\$990K - \$1.4M	\$150K - \$200K

The savings would not contribute to the City's operational budget but it does allow debt reduction and a potential for stabilizing water rates in the future.

### Non-financial impact

- ▶ Improved operational efficiency and productivity of Water services
- ▶ More industries and businesses could be attracted to move to Saint John to leverage the state of the art water and waste facilities
- ▶ Increased City resident satisfaction through fair and affordable water rates

### Dependencies

#### Union/collective bargaining:

- ▶ Bound by minimum number in the collective agreement and a no lay-off article
- ▶ Restriction on career streams and reporting structure

#### Legislation changes:

- ▶ Legislative changes are required to implement Opportunity A and unlock the full benefits for the City.

#### Council approval:

- ▶ Council approval from both the City and other municipalities

### Risk

- ▶ Union negotiation time and effort required
- ▶ Political pressures and required negotiations with neighbouring communities
- ▶ High up-front costs for implementing a metering system

## High-level implementation activities and timeline

- ▶ The opportunities for Saint John Water Services can be implemented over a 5 year period. The immediate focus for water should be contributing to the general fund to assist with the City's deficit.

Activity	2020	2021	2022	2023	2024
Streamline and optimize workforce through staff reductions and reporting restructuring					
Conduct opportunity assessment to serve other municipalities					
Continue implementing cost reduction and revenue generation initiatives					
Assess metering solutions					

## Assumptions

- ▶ Annual salaries for Saint John Water Services workers are estimated at \$80,000, including all associated benefits and special pensions.
- ▶ Annual salaries for Saint John Water Services operators are estimated at \$99,596, including all associated benefits and special pensions.
- ▶ There would be an additional 8% in added efficiency savings
- ▶ Collective agreement restrictions can be removed for minimum numbers.
- ▶ Designated operator would be a hands on working as they are and this would remove many non-hands on operators
- ▶ From initial experience with the addition of a Superintendent, Saint John Water has seen a reduction of overtime of 8%, meal cheques have seen a reduction of 11%, operating supplies went down 40% due to improved oversight/control, apparel costs were reduced by 37%. In addition, improved management of sick time, vacation time and tool purchases have been better controlled.
- ▶ Rothesay would need to be open to opportunity for the City to serve them with their Water services.

### Data sources:

- ▶ Saint John Water - Fiscal Responsibility: Strategic Planning Session February 27, 2019.
- ▶ Interviews with City employees.



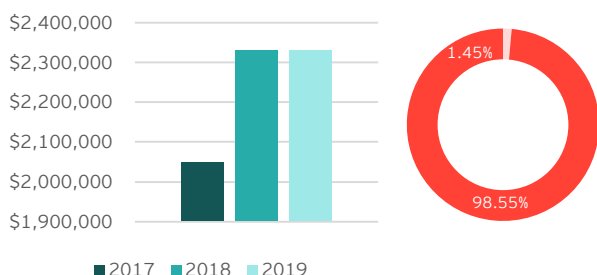
## 3.8 Economic development



### Current state

- ▶ Economic development in the City comprises three separate agencies that support the growth and develop of City in different ways:
  - ▶ Economic Development Greater Saint John (EDGSJ): Focuses on achieving steady, long-term economic growth for the region by creating opportunities that improve quality of life and drive prosperity.
  - ▶ Discover Saint John: Is Saint John's destination marketing organization with a mission to increase the City's tourism revenues.
  - ▶ Develop Saint John: Is focused on encouraging strategic real estate development in the City of Saint John, particularly through City-owned properties.
- ▶ The Economic Development Advisory Council (EDAC) is proposing that the City work with the current agencies/partners to lead the development and implementation of a new, consolidated innovative regional economic development organization that would have all current economic development agencies (EDGSJ, Discover SJ, Develop SJ) under one umbrella, with one leader, one board and one budget.
- ▶ Currently, the City funds 90% of the budget for each of the three key agencies:
  - ▶ Discover SJ: \$1M
  - ▶ EDGSJ: \$475K
  - ▶ Develop SJ: \$821K

### Financial analysis



#### Expenditure:

- ▶ Expenditures are budgeted at \$2.3M for 2019 and have grown at an average annual rate of 14% since 2017. Expenditures have been stable over the past year.
- ▶ The economic development agencies together represent 1.45% of the total operating budget.
- ▶ Discover SJ has the largest budget at \$1M, with EDSJ having the lowest at \$475K.

### Resources

- ▶ 25 FTE

### Key strengths

- ▶ Strong focus on regional collaboration
- ▶ Supporting immigrants and start-ups
- ▶ Implementing new real estate developments to support growth
- ▶ Tourism revenue generation initiatives

### Key areas of opportunity

- ▶ Regionalize economic development initiatives and share costs to benefit the region as a whole
- ▶ Consolidate the three economic development agencies to create a consistent brand and enhance efficiencies



# Economic development

## Regionalization of economic development

Financial and fiscal impact	\$500-\$800K	Level of risk	Moderate
Timeline to realize benefits	1-2 years	Ease of implementation	Requires significant change

### Case for change

- ▶ The City has been leading this initiative and is actively engaging advisors and consultants to help drive progress.
- ▶ Only Census Municipal Area (“CMA”) without 100,000 population in the urban core.
- ▶ One of only a handful with a declining urban core population.
- ▶ One of only a few where the largest municipality alone represents less than 60 percent of the CMA/CA population (City of Saint John is 54% of the CMA).
- ▶ One of the largest household income gaps between the large municipality and the smaller municipalities of any CMA/CA in Canada.
- ▶ The interconnectedness of the CMA economy means that, in the long run, the destinies of the municipalities are intertwined
- ▶ Other jurisdictions are moving towards this model to enhance their investments in economic development, e.g., 3Plus Economic Development Organization between Riverview, Dieppe and Moncton: <https://3plus.ca/>. The region is now the fastest growing urban centre in Atlantic Canada.

### Opportunity

Regionalization of economic development: There is opportunity to accelerate development and implementation of a new approach to regional economic development through an innovative framework where current agencies (EDGSJ, Discover SJ, Develop SJ) consolidate under one umbrella to serve and promote the region. Participating municipalities would include: Saint John, Grand Bay-Westfield, Rothesay, Quispamsis, Hampton and St. Martins. The new organization would be governed by a consolidated board of directors and governed by a Chief Economic Development Officer, supported by selected advisory groups. The new model of economic development would:

- ▶ Consolidate multiple activities that will result in Greater Saint John having the second largest regional economic development agency in Atlantic Canada.
- ▶ Cover all economic development in Greater Saint John.
- ▶ Redeploy some current overhead costs associated with funding multiple economic growth organizations to produce annual savings for the City.
- ▶ Reduce overlapping effort in economic promotion activities across key agencies and increase consistency in messaging.
- ▶ Enhance opportunity to gain federal funding and grants.
- ▶ Allow for greater focus on leveraging both the City’s and the region’s key assets and attributes to attract investment and economic growth (university, hospital, water infrastructure, airport, etc.).
- ▶ Give the ultimate responsibility to the private sector-led board of directors that ensures strong regional representation and a direct line of accountability for all regional economic development activities.
- ▶ Ensure a regional approach to economic development where all contribute fairly and all benefit from the results.

## Opportunity (cont.)

- ▶ Build on the current level of funding commitments, with future material growth in economic development funding through an innovative new growth-oriented shared funding model.
- ▶ Have the full support of key external stakeholders, including ONB, ACOA and other critical partners.

### Industry promotion

Industry promotion: Saint John has a number of key assets and resources that the City has invested heavily in that could be leveraged as a method for attracting new companies to set up business in the City, specifically industry (e.g., water treatment facility). A deeper analysis would need to be completed to fully assess the potential impact of deeper investment in promoting the City's key assets to enhance industry attractiveness.

### Financial impact

- ▶ Municipal funding for this new organization will come from two sources. Firstly, from base funding and, secondly, from incremental growth funding. Funding will be tied to both the tax base and tax base growth.
- ▶ The new operating budget for this organization is estimated to be \$6M, with partner municipalities providing \$2.4M. The City would move from funding 90% of the operating budget of three entities to funding 55% of the budget for one entity.
- ▶ It is estimated that the potential annual savings would be \$500K to \$800K annually

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
-	\$500K - \$800K	-

In order to achieve the savings, it will require an equitable cost sharing and a \$6M budget or under.

### Non-financial impact

- ▶ While this regionalization model focuses solely on economic development, the process provides an opening to build a sense of trust and understanding of regionalization which could lead to future opportunities in other key areas, e.g., fire services, police services, etc.
- ▶ Increased efficiency and reduced duplication of efforts.
- ▶ Smaller municipalities that did not have any economic development activities will now have the opportunity to benefit from that service.
- ▶ Enhanced accountability and reporting to demonstrate results at the regional and City level.
- ▶ Standardized branding throughout the region.
- ▶ Aligned with the City's requirement to drive a material change in economic growth activities (and results) and people attraction. It will build the proper level of engagement required across the region to accelerate economic growth.
- ▶ It will implement a fair and equitable cost sharing model associated with future increases in economic development funding and initiatives.
- ▶ The future funding model will tie economic development and people attraction funding to the growth in tax base.
- ▶ It will allow the region to collectively leverage the assets and attributes of the region.

### Dependencies

- ▶ Council approval from all participating municipalities
- ▶ Development of service level agreements for each municipality
- ▶ Agreement on shared funding model
- ▶ Have the full support of key external stakeholders, including ONB, ACOA and other critical partners

### Risk

- ▶ Not engaging local service districts (LSDs)
- ▶ Conflicting priorities between municipalities e.g., desire to attract new residents
- ▶ Disruption to current agencies during the transition period could slow down progress and momentum
- ▶ Ensuring fair benefits and investments for each municipality
- ▶ Acceptance of governance model
- ▶ Acceptance of funding model



High-level implementation activities and timeline					Assumptions	
Activity	2020	2021	2022	2023	<ul style="list-style-type: none"><li>▶ KPIs will be developed</li><li>▶ The City of Saint John, as the preferred majority shareholder, will have additional rights</li><li>▶ There will be regional representation from each municipality</li></ul>	
Receive final approvals						
Transition to new organization						
Fully implement new organization						
Develop four year strategic growth goals and KPIs						



## 3.9 Fleet services

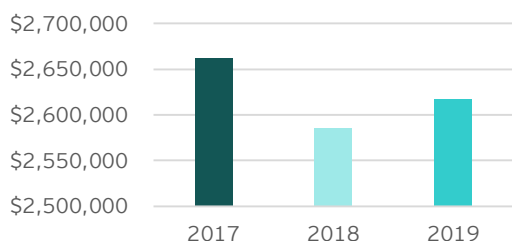


### Current state

- ▶ The City of Saint John has a fleet of approximately 350 plus a variety of equipment, including emergency vehicles for fire and police. In addition to these, the City also operates a fleet of small or hand-held units and stationary pieces of equipment needed to support its many operational needs.
- ▶ Fleet services delivers maintenance and support to the City's fleet. It also guides the administration regarding policy development, process improvement, purchasing and tracking of fleet utilization, and costs.
- ▶ The implementation of new systems and policies has enabled real-time transparency and accountability and responsibility when using the City fleet.
- ▶ The City has tried unsuccessfully to purchase fleet components with other municipalities, as part of a tri-city initiative. However, the municipalities were unable to come to a common agreement on specifications and the City continues fleet purchases on its own.
- ▶ A feasibility study was conducted in 2017 to assess opportunity for consolidating garages with transit, reducing costs, and increasing efficiencies. The large number of garages across the City results in higher operating and maintenance costs. The feasibility study looked at and assessed the potential options for garage consolidation. The findings of the 2017 study were not sufficient to validate the recommendations. A new study was initiated in 2019 called Relocation of Fleet Management from Rothesay Avenue. That report is still in review and finalization and an interim report has not been shared at this time.

### Financial analysis

#### Expenditures from 2017-2019



#### Expenditure:

- ▶ Expenditures for 2019 are \$2.6M
- ▶ Expenditures for fleet services are shared among the different departments and service areas
- ▶ 98% of expenditures represent general fleet operations while 2% represent fleet pooled vehicles
- ▶ Local 18 wages make up 69% of overall fleet expenditures

*Note that the budget for fleet is embedded within other service areas.*

### Resources

- ▶ 1.1 FTEs are shared across service areas
- ▶ 1.6 FTEs in management positions
- ▶ 1.5 FTEs are part of the Local 486
- ▶ 27.5 FTEs are part of the Local 18

### Key strengths

- ▶ Introduction of the ClearRisk, geotab, Automatic Vehicle Location ("AVL") systems, Commander Mobile and Commander Connect that track fleet utilization, location and costs
- ▶ Implementation of a fleet pooling system to reduce overall fleet costs
- ▶ Creating increased accountability with City workers and their use of the City fleet

### Key areas of opportunity

- ▶ Expand and enhance the fleet pooling system into other departments and other types of vehicles.
- ▶ Increase purchasing power of fleet with collaborating with the provincial government.
- ▶ Consolidate with transit where possible to enhance utilization.

## Fleet services

### Fleet optimization and efficiency

Financial and fiscal impact	\$250K - \$300K	Level of risk	Moderate
Timeline to realize benefits	15 years	Ease of implementation	Requires some change

#### Case for change

- ▶ The new fleet services tracking systems create broad large opportunity to further optimize fleet services.
- ▶ Fredericton has successfully merged its transit and fleet garages together.
- ▶ Savings can be received through consolidating the annual replacement fleet with the Vehicle Management Agency operating for the province.
- ▶ City fleet maintenance activities carried out in older facilities could be moved to the newer, under-utilized transit garage.

#### Opportunity

##### Expand the Current Fleet Optimization Initiative

The goal of this project is to review and assess the City's vehicle utilization to target opportunities for elimination, consolidation and pooling of vehicles (where possible) to reduce overall fleet costs (including asset and/or rental costs). Below are the key opportunities:

- ▶ Fleet optimization 2.0 & 3.0 : Determine the right size of fleet and reduce where possible, e.g., SJW, share and pool vehicles and work towards standardizing vehicle specifications (items to be presented February 24, 2020 to Council)
- ▶ Extend reach of light vehicle pooling (under 1.5 tons) to other departments, e.g., pick-up trucks to public works.
- ▶ Introduce medium and heavy vehicle pooling (over 1.5 tons).
- ▶ Seasonal rentals: Determine the optimal number of vehicles required for use by casual employees over the summer season (April till end of September) and determine whether alternatives exist to renting from an outside provider.
- ▶ Multi-purpose utilization of equipment – roll-on/roll-off vehicles, hitch-lift systems, multi-attachment review.

##### Vehicle purchasing with the Vehicle Management Agency (VMA) for annual fleet replacement with VMA

There is opportunity for the City to collaborate on City fleet purchasing with the province through VMA to reduce the annual cost of vehicle purchases. SNB has been requested to share VMA fleet data (vehicle, leasing costs, useful life, etc.) specifications with EY.

##### Transit garage consolidation

Adding to the feasibility assessment that is ongoing, there is opportunity for optimizing maintenance staff and reducing existing building infrastructure and associated long-term operating maintenance costs through consolidation of the fleet and transit garages.

- ▶ The closure and sale of the North Depot facility would need to occur in order to relocate/consolidate similar fleet components with the transit garage.
- ▶ The collaboration would result in operations being under one roof for efficiency and cost effectiveness and better utilization of existing infrastructure. To justify the consolidation, the City must take into account revenue opportunities as well, not solely costs, such as the sale of the North Depot land and new tax revenue from the land.



Financial impact	Non-financial impact		
<p><b>Fleet optimization 2.0 &amp; 3.0:</b> \$250K - \$300K</p> <p><b>Vehicle purchasing with VMA - TBD:</b></p> <ul style="list-style-type: none"><li>▶ Savings to be determined in collaboration with VMA</li></ul> <p><b>Transit garage consolidation - TBD</b></p> <ul style="list-style-type: none"><li>▶ Relocating the fleet maintenance activities, except Adelaide, East, and West garages to the transit garage would not result in significant infrastructure savings based on our review. However, we believe that productivity and efficiency improvements from staff consolidation would create positive savings. In order to quantify those savings, maintenance data from transit is required. Therefore, it is recommended that maintenance staff working at the transit garage start reporting their wrench time on maintenance work orders in a Fleet Management System. We understand that a study is being completed to fully assess the opportunity and therefore, we did not include in this review.</li></ul>	<ul style="list-style-type: none"><li>▶ Enhanced accountability and productivity with City workers</li><li>▶ Improved utilization of the City fleet</li><li>▶ Increased purchasing power</li><li>▶ City fleet maintenance personnel would work in an enhanced environment at the transit garage</li><li>▶ Collocation of the City fleet and transit maintenance activities in a single facility opens the door to capturing subsequently operational synergies in terms of cost and service level to users</li><li>▶ Rehabilitation of the four North Depot lots as a housing development might indirectly increase the value of the adjacent apartment building and other residential housing across Boars Head Road</li></ul>		
	Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
	-	\$250K - \$300K	-

Dependencies	Risks
<ul style="list-style-type: none"><li>▶ Approval from provincial government for collaboration with VMA</li><li>▶ Transit Commission would merge with the City of Saint John</li><li>▶ A real-estate developer interested in sanitizing and short-term development of the North Depot is found</li><li>▶ The North Depot lots are developed quickly so as to maximize real-estate tax revenue to the City</li><li>▶ Change in labour agreement to enable collaboration of fleet and transit maintenance workers</li></ul>	<ul style="list-style-type: none"><li>▶ The consolidation perimeter would yield less attractive cash flows if the merger with transit were to fail</li><li>▶ Without an investor to buy and develop the four North Depot lots, the case lacks financial upside</li><li>▶ Financial benefits will depend significantly on how and how fast the North Depot lots are developed</li></ul>

## High-level implementation activities and timeline

## Assumptions

Activity	2020	2021	2022	2023	2024
Continue and enhance fleet optimization activities					
Receive approval from VMA to share vehicle purchasing					
Confirm decisions by City and Transit of the merger and the move					
Upfit Transit garage and move Fleet activities from Rothesay Avenue					
Move North Depot activities to Rothesay Avenue facility					
Clean and sanitize North Depot and sell the 4 lots					
Develop the 4 lots into apartment/residential housing, and sell/rent		Depending on pace over 4-5 years			

- ▶ Reporting of wrench time on maintenance work would be required to assess the full opportunity
- ▶ Assuming there is demand for the lots
- ▶ City fleet and transit are merged as a single financial entity\*
- ▶ No cleanup/sanitization costs at the Rothesay Avenue facility\*
- ▶ No upfit cost associated with the move from the North Depot to the Rothesay Avenue Facility

\* City of Saint John's assumptions and data

\*\* Using as a proxy the average 2019 assessed value per square-meter of adjacent lots developed with apartment buildings

\*\*\* Using as a proxy the average 2019 assessed value per square-meter of 5 residences & lots developed across Boar's Head Road



## 3.10 Public works and recreation

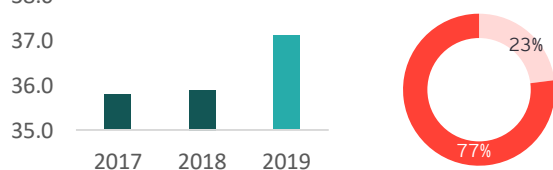


### Current state

- ▶ Transportation and Environment services supports the community in achieving its long-term vision and goal of creating a green, attractive City where people can get around safely and easily. Transportation and Environment services provide convenient and efficient modes of transportation and protect the environment through the maintenance of parks and public spaces.
- ▶ Transportation and Environment services consists of four key areas; public works, engineering, recreation, and transportation (City Transit) – the scope of this review did not include the City Transit program.
- ▶ Activities in scope included; roadway maintenance services, side walk maintenance services, storm water management, solid waste collection and parks and recreation
- ▶ The 2020 budget for public works is over \$25M, with the highest percent of spend, 55%, allocated to roadway maintenance and service (~\$14M).
- ▶ Currently, divisions work in silos and there is limited sharing of resources and/or equipment. There is duplication in transportation efforts, loss of productivity and an oversupplied inventory of equipment experiencing low volume usage.
- ▶ Performance tracking and productivity measurement is challenging as foremen are part of the same collective agreement and the tools available to management are limited.

### Financial analysis

Based 2017,2018 actuals and 2019 budgeted



#### Percent of overall City budget

- ▶ The 2019 transportation and environment budget (excluding transit) was \$37M, 23% of the total City budget.

#### Three-year budget

- ▶ The budget for public works and recreation has increased by \$3M over three years
- ▶ The road maintenance and service division accounts for 37% of the budget, estimated at \$14M for 2019, and is the primary contributing factor to the overall budget increase

Approximately \$2M of the budget increase is due to the increase in "capital from operating". The amount of borrowing to support the yearly road resurfacing program has decreased accordingly. This trend of reducing the amount of borrowing for recurring, predictable asset renewal will continue in the future, and is aligned with the long-term financial plan for the City.

### Resources

- ▶ There are approximately 218 FTEs within the Transportation and Environment Services, including management, professional staff, inside and outside worker (excluding transit). The majority of this group are members of the Canadian Union of Public Employees, Local 18 (Outside Workers).

### Key strengths

- ▶ Sharing of resources from Engineering division with water utility
- ▶ Performance improvement initiatives underway to address City deficit, e.g., solid waste modernization
- ▶ Strong leadership and management team working together to improve operations and gain efficiencies and knowledge

### Key areas of opportunity

- ▶ Winter workforce reduction
- ▶ Winter maintenance program
- ▶ Waste management modernization



# Transportation and environment

## Public works Efficiency and Workforce

Financial and fiscal impact	\$4.2M+	Level of risk	Moderate
Timeline to realize benefits	3-4 years	Ease of implementation	Requires significant change

### Case for change

- ▶ Over the last five years, 276 working days have been lost in the Solid Waste Management Program due to injury on the job, and there is a constant loss in productive man hours due to daily physical constraints. The City pays approximately \$1.3M/annually in tipping fees for waste disposal and there is no curbside recycling program in place.
- ▶ The winter road maintenance program does not have a complete complement of staff during the night shift resulting in equipment sitting idle. The City currently has an inventory of 53 pieces of equipment for snow removal and the night shift is not manned to operate available equipment. By balancing the night and day shift complement, fleet size can be reduced by three and overtime can be reduced.
- ▶ There are periods of time throughout the year when public works are over and understaffed. Flexibility in collective agreements could see a reduction in the winter work force that aligns with needs. Having additional crew on when demand is not there results in foreman doubling up on crew to keep workers on job sites when they are not needed.
- ▶ The City employs up to 70 casual employees during the summer months as part of their parks and recreation crews. The maintenance of park and recreation infrastructure is costly, and participation in many services is low. As the City looks to become more sustainable, it must be considered where parks and recreation services are located, how they are managed and the workforce level required.
- ▶ The City manages a large number of fleet that are used to provide operational services across a broad landscape. A considerable amount of time is spent travelling from site to site as oppose to time spent on value added activities. There is a desire to collaborate on the use of vehicles, with more multifunctional use vehicles being purchased (as covered under the fleet business case) however, there is still an opportunity to look at routes travelled, idle time and other non-value-added activities.
- ▶ Foreman and sub- foreman are part of the same collective agreement as the skilled workers they supervise. This makes it challenging for management to have a clear line of sight on performance management issues and productivity. There are instances of poor performance not being managed, additional crew members per job and unnecessary overtime.

### Opportunity

#### Solid waste management

- ▶ The modernization of the City's Solid Waste Service will allow the City to move to an automated cart pick up service for regular household refuse, provide curbside recycling and bag tags for excess refuse. By moving to an automated pick up service, the City will be protecting the health and safety of their employees by limiting the manual material handling of household refuse. Adding curbside recycling and bag tags will encourage waste diversion and in turn reduce the overall cost of this service's tipping fees. The implementation of bag tags for any additional refuse outside of the aforementioned services will give citizens the ability to deal with the rare occasions when they may need to put out excess refuse. This initiative will reduce tipping fees with an estimated savings of \$350k/year and generate revenue (\$2 per bag), estimated at \$550k/year. (total opportunity savings + revenue= \$750 annually).

## Opportunity (cont.)

### Winter road maintenance

- ▶ The distribution of day shift and night shift workers is not balanced which contributes to overtime incurred bringing staff in to prepare for the morning traffic and wasted productivity of equipment as the night crew is not staffed to utilize existing equipment. By balancing the night and day shift compliment, the amount of overtime can be reduced (eliminating ~\$28k annually) and the number of fleet can also be reduced as there would no longer be access staff available on day shift to utilize all of the existing inventory. The current fleet could be reduced by 20% generating a one-time revenue for the City of approximately \$180k and a decrease in annual operating costs of \$303k. There are also two contracted loader routes that could be eliminated yielding an annual savings of \$16k. This may have an impact on service levels, specifically when winter equipment is down, which occurs frequently, and on summer operations where multi-use vehicles are used. (total opportunity overtime cost avoidance + contracting costs + annual savings + one-time revenue = \$520k). It is recommended that a snow-clearing re-design be completed that takes into account all service areas of the City where snow clearing activities occur (water services, sidewalk services, road clearing and recreational areas). Impact on service levels need to be assessed and the fleet to be removed need to be identified and appraised. Likewise, the spring and summer road maintenance program could likely see benefits gained through a continues improvement program. This would be reliant upon changes to collective agreements that would allow for broader span of control for supervisors/foreman, performance metrics and tools, and collaboration between fleet management and public works operational managers who currently assign daily work plans. Better scheduling and more collaboration across divisions could see a 20% savings by implementing continuance improvements and controls.

### Winter workforce reduction

- ▶ The current minimum numbers and no lay-off clauses (293, less 5% with no lay-off article) in the collective agreement significantly constrains the City to manage staffing levels appropriately and effectively. There are periods of time throughout the year when public works division is under and over staffed. Given the ability to effectively manage staffing levels through a call-in bases would provide the City with the opportunity to lay off staff during the winter months when the work is not there to justify the current staffing levels. This could see a possible reduction of 50% of the workforce for 4 months of the year - an anticipated savings of \$1.2 million annually (57workers at ~\$68,000/year laid off 4 months of the year). This is based on management's knowledge of demand and past experiences. A detailed analysis of work orders and work plans need to be completed to validate the numbers prior to management decisions being made. The Public Works division does not have an accurate way to manage or track productivity which inhibits the ability for informed decision making. Management relies on the information communicated through foreman who are also members of the same collective agreement, where there is a strong culture of protectionism. (total potential opportunity = \$1.2M)

### Casual workforce reduction

- ▶ Reduce the casual workforce over the next two years by 25% while still maintaining service levels. This would see a reduction in casual staff for parks and recreation from ~70 workers down to 52 and eliminate 22 summer positions. This would result in ~468k annual operating savings.

### Improve travel time

- ▶ The City has implemented a ClearRisk geographical information system that tracks location and idle time by vehicle. With the new information and data available, there is an opportunity to complete an analysis on the shortest routes to travel, travel that is inconsistent with work plans, and to identify simultaneous routes to determine if there are opportunities for workers from different departments to commute together. Preliminary reviews of the data available indicate that additional travel may be occurring. A complete analysis of routes taken should be conducted to assess the situation and identify opportunities for efficiencies and cost savings.

### Transform the role of foreman

- ▶ There is an opportunity to remove foreman and sub-foreman from the collective agreement putting more rigour around performance management and productivity which would reduce the amount of overtime incurred (as was the case when supervisors were introduced under water), increase the span of control for foreman, which currently ranges from 1:2 to 1:11 (sub-foreman to skilled workers), and improve productivity.

## Opportunity (cont.)

### Transform the role of foreman (cont.)

- ▶ It is recommended that superintendents replace foreman (contingent on change to collective agreement minimum numbers and based on opinions that foreman/sub-foreman do not need to be replaced under the existing collective agreement), and the number of foreman/sub-foreman is decreased by 10% (3 foreman/sub-foreman @ \$80k including benefits -\$240k) (Admin has an estimated 6% reduction based on new mix, and water has 14% - 10% is conservative for Public works). This will require an increase span of control and a adjustments to the role of the sub-foreman who could take on more of the foreman responsibilities and leave performance management and scheduling to supervisors. Like wise, under Administrative Services, which are a sub group o the Transportation and Environment Services Division, by implementing a mix of superintendents and expanded roles of sub-foreman, there is a potential for an additional 3 FTE reduction (3@\$80,000 - \$240,000). Total opportunity - \$480k.
- ▶ Introducing superintendents (non-unionized) will improve productivity (as evident in water services) by at least 5% (including goods and services) yielding an annual savings of \$719k.
- ▶ With tighter supervision and better productivity and performance management in place, it is estimated that overtime can be reduced by approximately 30% (based on results from water) (\$346K overtime in 2019 excluding winter maintenance, parks and recreation) (30% of \$346k = \$103k).
- ▶ In addition, once foreman restructuring is in place, a productivity analysis should be completed to inform a lean staff structure.
- ▶ (\$480 + \$719 + \$103 = \$1.2M+)

### Financial impact

- ▶ Modernizing waste side management program could see potential financial benefits of \$750k (savings plus revenue).
- ▶ Winter Road Maintenance \$520k (Totals prorated at 75% to account for expected increases on remaining equipment due to increased utilization) (20% of existing inventory)
- ▶ Winter Workforce Reduction \$1.2M (52 positions over 4 months, equivalent to 17 FTEs)
- ▶ Casual Workforce Reduction \$468k (eliminate 22 summer positions and reduce casual workforce by 18)
- ▶ Reduce travel time
- ▶ Transforming the role of foreman and increasing the span of control could yield a potential \$1.2M in operational spend (3 FTEs)

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
\$180K	\$3.5M	\$550K

### Non-financial impact

- ▶ Fewer workplace injuries
- ▶ Improve work moral
- ▶ Decrease carbon footprint by reducing the amount of household waste
- ▶ Provide citizens with common everyday services such as curbside recycling, improving the residential experience
- ▶ Improve public perception of public works



### Dependencies

- ▶ Minimum numbers in collective agreements
- ▶ Ability to lay off staff when demand is low and have an option to call in
- ▶ Amendments to City bi-laws
- ▶ Public consultation for solid waste management program
- ▶ Council support

### Risk

- ▶ Public consultation required and consideration of tagging fees for additional garbage
- ▶ Push back from unions
- ▶ Public outcry for summer programs

## High-level implementation activities and timeline

## Assumptions

Activity	20 '	21 '	22 '	23 '
1 1. Solid waste modernization public engagement and pilot project 2. Expand solid waste modernization project				
2 1. Determine impact on service levels 2. Identify equipment to be sold 3. Develop staffing plan				
3 1. Complete detailed analyses of available man hours vs utilized through work orders. 2. Develop staffing plan				
4 1. Prepare business case and present to Council				
5 1. Complete detailed analysis to identify efficiencies 2. Calculate estimated savings 3. Develop staffing and route plans				
6 1. Address minimum numbers in collective agreement 2. Complete span of control analysis to determine where changes can be made 3. Reduce number of foreman/sub-foreman through lay-off and or attrition 4. Implement productivity measures 5. Complete productivity analysis to arrive at a lean staff structure				

- ▶ Annual salaries for Public Works workers are estimated at \$68,000, including all associated benefits.
- ▶ Annual salaries for foreman/sub-foreman are estimated at \$80,000, including all associated benefits.
- ▶ Collective agreement restrictions regarding layoffs can be removed
- ▶ Collective agreement restrictions around career paths can be amended to be more flexible
- ▶ Management's ability to estimate work levels based on past experience and knowledge of down time, non-productive man hours, and over staffing of crews.
- ▶ Market value of equipment averaged at \$15,000.00

## 3.11 Agencies, boards & commissions

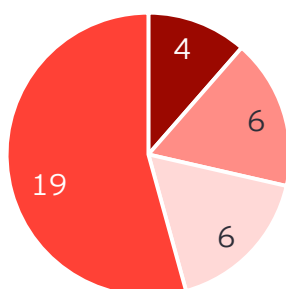


### Current state

- ▶ The City initiated a review of its agencies, boards and commissions (ABCs) in 2019 as part of the sustainability efforts. The scope of work included the identification of profiling each ABC, including documenting its inception, purpose and authority as well as funding envelopes. The review resulted in four categorizations guided by Chartwell: (1) regional commissions; (2) City commissions; (3) incorporated companies of the City; and (4) other affiliates (not owned by the City but rather have members appointed by the City to their board). Phase II of this work identified opportunities to explore changes that would improve the sustainability efforts of the City, reduce overlap and reinforce the City's growth agenda.
- ▶ A recommendation was already underway to explore consolidating the regional economic development activities (three commissions) under one regional entity (EDGSJ, Develop SJ, Discover SJ and Population Growth) intended to include the Census Metropolitan Area (CMA), and this opportunity is profiled under Regional Economic Development in our Report.
- ▶ A recommendation was also made as part of the review to reduce grants/partnerships for smaller projects. The City has also made strategic recommendations in respect of larger projects that need to be further refined and analyzed. EY supports the City's recommendations and has outlined key considerations below for those that were not included as part of other business case profiles, such as Aquatic Centre and TD Station (profiled under the Infrastructure business case). These asset opportunities may require further impact and market value assessments for asset divestment. The expected opportunity ranges are outlined as follows:
  - ▶ Imperial Theatre - current funding \$360K. EY is recommending that the City proceed with removing the theatre from the RFC legislation as part of the sustainability efforts to maintain core services for the City. Opportunity: \$360K.
  - ▶ Lord Beaverbrook - current funding \$159K. EY is recommending that the City amend the Lord Beaverbrook Rink Trust and align the partnership similarly to other rinks and to ensure the rink is offering market fees to its users.

### Financial analysis

#### Statistical profile



- Regional Commissions
- City Commissions
- Incorporated Entities & Companies
- Other Affiliates

▶ N/A

#### Key strengths

- ▶ Significant opportunities for strategic alignment and deficit reduction reside within the ABCs

#### Key areas of opportunity

- ▶ Eliminating Aquatic Centre deficit and re-imagining the Aquatic Centre asset
- ▶ TD Station financial sustainability
- ▶ Optimizing parking revenue
- ▶ Transit optimization
- ▶ Police commission efficiencies
- ▶ Lord Beaverbrook fee alignment
- ▶ Fair agreement with Trade and Convention Centre

# Agencies, boards & commissions

## ABC reform

Financial and fiscal impact	\$500K-\$650K	Level of risk	Moderate
Timeline to realize benefits	1-2 years	Ease of implementation	Requires some change

### Case for change

- ▶ With the City's current structural and financial challenges, the City is under tremendous pressure to improve efficiencies and align services/funding with strategic priorities and the City's ability to fund. The recommendations that the City has brought forward in respect of the smaller and larger projects be actioned and actioning necessary legislative amendments to support these changes.

### Opportunity

- ▶ The City of Saint John has an opportunity to action significant opportunities presented to Council in relation to removing, consolidating and re-negotiating terms and funding requirements for various ABCs under the City's umbrella. The most material opportunities include TD Station, Market Square, Aquatic Centre, Lord Beaverbrook, and Imperial Theatre. An economic impact assessment should be performed along with a realignment to the City's mandate, strategic priorities and ability to fund.
- ▶ EY is recommending that investments in economic development activities be considered for retention, including enhanced governance models and reporting performance for projects such as public gardens and arts and culture, while funding envelopes for the Canada Games Foundation is recommended for realignment to another partners such as private sponsorship/not-for-profit organizations. This will enable investments with aligned strategic focus areas and priorities for the City: .
  - ▶ Public Gardens (Horticultural Association) \$40K
  - ▶ Saint John Jeux Canada Games Foundation \$17K
  - ▶ Arts and culture \$50K
  - ▶ Imperial Theatre \$360K, overall reduction in contribution /exploring partnership options
  - ▶ Lord Beaverbrook \$159K, amend trust and align market fees with other rinks with overall reduction in contribution
  - ▶ Accountability framework should be implemented for all contributions for recreation and community partnerships as well as alignment with the City's capacity to contribute

### Financial impact

- ▶ Total opportunity profiled for this business case (excluding shared services and infrastructure) include \$500K-\$650K:
- ▶ The opportunity of reducing grants has not been costed but there is a clear need to establish criteria/alignment protocols in determining grant funding. Reporting measures and performance should be a requirement for all grant funds
- ▶ The grant funding model should be tier-based with clear criteria, avoiding traditional and historical funding as a basis for funding

### Non-financial impact

- ▶ Aligned services with the City's ability to pay, which sets an important precedent for the City

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
-	\$500K - \$650K	-





### Dependencies

- ▶ Legislative amendments will be required to action some opportunities profiled
- ▶ Partnerships will need to be explored for the Imperial Theatre

### Risks

- ▶ Negative public reaction with advocacy claims to politicians to re-instate funding/services

### High-level implementation activities and timeline

- ▶ The noted opportunities within this profile opportunity could occur within 12 months.

### Assumptions

- ▶ Grants will be covered under a separate area
- ▶ Trade and Convention centre is not considered an ABC but a city asset
- ▶ Aquatic Centre and TD Station are profiled under the Infrastructure business case
- ▶ Shared services opportunity for parking, transit and police is profiled under a separate business case.

#### Data Sources:

- ▶ Service budgets
- ▶ 2020 Budget, 2019 actual financials
- ▶ Review of City ABCs, November 18, 2019 document
- ▶ Committee of the Whole Report of ABCs, November 18, 2019





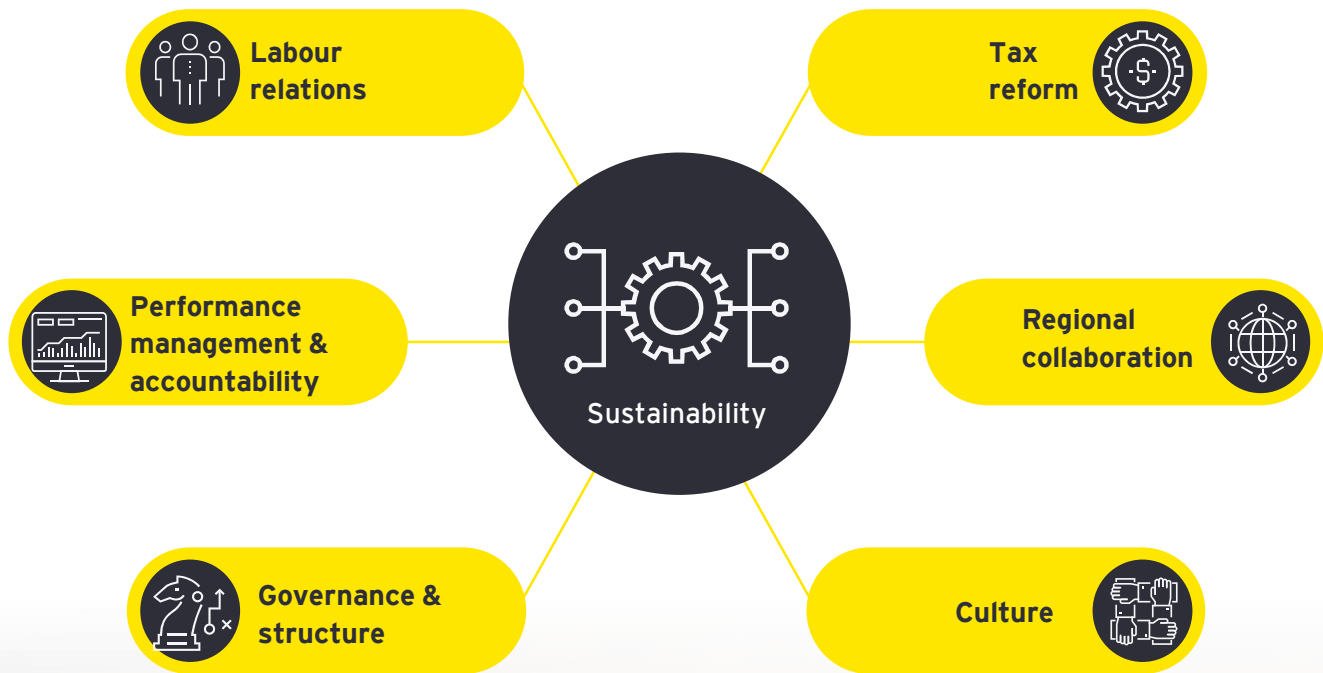
# 4.0 Sustainability enablers





## 4.0 Sustainability enablers

The following enablers have been identified as core drivers of sustainability opportunities for the City of Saint John and are foundational to future sustainability. It should be noted that some of these enablers require partnership and support from the Provincial Government.



# Sustainability enablers

## 4.1 Labour relations

The City of Saint John currently has four collective agreements that govern the working conditions and environments of various employee groups employed by the City. Currently, two of the four collective agreements are in negotiations with the City (#2 and #3 above, Local 18 and No. 771). Local 486 expires December 2021 and the working agreement for the police expired December 2019. This enables the City with a timely opportunity to negotiate terms that are more aligned with the current objectives of the City of Saint John and its citizens.

We learned through our fieldwork that the City of Saint John's union professionals are extremely valued by Council, city management and staff. We also learned that there are significant constraints and barriers held within all collective agreements that inhibit the city's path towards sustainability.

Under the New Brunswick Industrial Relations Act, firefighters and police officers cannot go on strike and, instead, binding arbitration is used when collective bargaining is unsuccessful. Three unintended consequences have resulted in respect of the binding arbitration process.

Historically, a cohesive, long-term, strategic approach to collective agreement negotiations has not been observed. Instead, management has focused on short-term goals in each round of negotiation.

There is desire/action taken by management to develop a comprehensive labour relations strategy that encompass the plan, principles and roadmap for all collective agreements, aligning towards long-term sustainability for the City as well as transparency for citizens.

To lead labour negotiations currently in motion, management has compiled a diverse team to manage negotiation however given the magnitude of changes and complexity, additional expertise is recommended, including a labour relations lawyer and financial expertise. The IAFF, as an example, deploys a consistent resource that understand a depth of the challenges and risks across the country, which enable a much stronger knowledge and negotiation skillset to compliment the negotiation efforts. Financial expertise responsible for quickly understanding and translating articles and decisions to financial impacts is also a necessary resource to support the team.

Additional information, current state analysis, key recommendations and considerations pertaining to constraining collective agreements can be found in Appendix F.



# Sustainability enablers

## 4.1 Labour relations

In summary, EY has the following key recommendations:

### **Binding arbitration:**

- ▶ It is recommended that the City fully document its recommended criteria which the legislation should include for assessing ability-to-pay, and work collaboratively with the province to co-develop and implement the changes.
- ▶ Given the active nature of negotiations at present and the in-progress legislative process around ability-to-pay, the City should consider entering into a shorter-term agreement, if needed, to avoid an ability-to-pay clause not being legislated prior to the close of collective bargaining. The risk to be avoided is being in an arbitration process before an ability-to-pay clause is legally formalized.

### **Examination of the labour relations environment:**

- ▶ To further enhance the understanding of the labour landscape, we recommend the City fully examine the landscape, considering both a SWOT and a PEST (political, economic, socio-cultural and technological) analysis to support each set of negotiations. It is important that the negotiating team have a full understanding of the landscape and avoid the temptation to presume awareness.

### **Negotiation approach & strengthening the bargaining team:**

- ▶ Develop a comprehensive labour relations strategy including the Identification of all constraining and limiting, or risk inherent articles in the collective agreements (please refer to Appendix F for a detailed listing of constraining article which also includes a space to be used to perform a ranking/scoring for risk and impact) and fully cost all constraints identified within the finance and service areas. Additionally, it is essential that the negotiating team conduct a comprehensive review of wages in other jurisdictions outside of the province to compare its ability to pay, including per capita costs of all services and benchmarks as comparison. Using local jurisdictions exclusively for comparison is not adequate. The common counter argument is that protective services were significantly underpaid for an extended period of time and needed to catch up; however, this argument is no longer relevant.
- ▶ The City would benefit from strengthening the negotiating team in some areas. It is recommended that an independent evaluation of the negotiating teams be conducted to critically assess and understand skill gaps. Performing this assessment will enable gap closure and build bench strength and transfer critical knowledge or enhance negotiating strategies and bolster the team during this critical time.
- ▶ EY also strongly advises the City to include a labour lawyer on their negotiating team.
- ▶ Additionally, the Human Resources team should inventory and pull together significant arbitration decisions that have impacted collective agreements not only in New Brunswick but in multiple jurisdictions to support the team. Long-term actions of management/the union, as well as any decisions, should be fully considered to understand the terms and practices of the collective agreement.



# Sustainability enablers

## 4.2 Tax reform

Municipal revenues are collected and distributed by the provincial government, while municipalities set the tax rate. At present, of City of Saint John revenues, 78% come from property tax, resulting in a heavy reliance on taxes to support services. The city's structural deficit is partially rooted in the shrinking tax base. While the City has experienced low growth rates, it is struggling to grow at a pace that covers its growth in wages. Strong advocacy for provincial tax reform has been in motion for years and the province of New Brunswick has committed to performing a property tax review, tabled for next fiscal year 2021/22.

The city's goal is to realize sustainable services for the region, population growth and retention, and greater benefits for citizens. The City has the highest provincial property tax rate in New Brunswick and is 40 cents higher than neighbouring cities'. These realities have triggered a compelling need for an evaluation of tax practices, laws and policies. This review may reveal potential changes to legislation that will enable the city's growth and revenue generation opportunities.

Some of the key issues that will be addressed through this property tax review include:

- ▶ Determining a fair proportionate share between municipalities and the provincial government
- ▶ Flexibility in differential property tax rates (residential, commercial and industrial)
- ▶ Tax exemptions
- ▶ Property assessment practices

EY's review did not include a tax reform review or an evaluation of property tax practices and rules. This review is scheduled and will be performed by the provincial government in 2021.

**In summary, EY has the following key recommendations:**

- ▶ In preparation for the provincial review, the City should formally prepare its current state assessment of all the key issues above and outline the contributing factors that inhibit city growth and economic prosperity for government's consideration.



# Sustainability enablers

## 4.3 Performance management and accountability

During our review of the city's operations, it was noted that management does not have the tools or processes to measure workers' productivity. This was apparent when assessing the staff complement for outside workers and their volume of work. There were many instances shared of crews being overstaffed and work orders being closed without work being complete. Management relies on site supervisors/foremen to ensure crews are staffed appropriately and that work is completed efficiently and accurately in the time reported.

The effectiveness and accuracy of this system is hampered by three factors;

1. The minimum number of workers prescribed by the collective agreement and the no lay-off clause prohibits the City from manning appropriately throughout the year. Additional crew are often placed on jobs during the winter months to allocate staff when, in fact, they are not needed.
2. Foremen are members of the same collective agreement as the workers they supervise. There is a strong culture of protectionism and brotherhood among union members; very rarely, if ever, will issues regarding productivity be raised with management
3. Career advancement is based on seniority rather than work performance and skill matching.

Collective agreements make it challenging for management to dissuade the use of overtime as it is a long-standing practice and a traditional source of income for members and is currently being used inconsistently with its intent. There is a need to clearly understand how much is being spent on overtime each year, where there are areas for improvement/adjustments, and use that information to adjust the workforce and scheduling practices. This information could also aid in collaborating on opportunities to increase flexibility within collective agreements to benefit both members and the city's sustainability efforts.

EY did not observe a robust set of accountability measures governing the grant process for the city's funding of outside entities. Rigorous reporting and performance indicators should be implemented to ensure that the City is allocating funds towards mandates that align with city priorities. The granting process has been largely guided by historical practices to provide contributions, and stronger criteria and accountability measures need to be implemented to track outcomes.

**In summary, EY has the following key recommendations:**

- ▶ Significantly reduce the minimum number requirement in the collective agreements.
- ▶ Implement a rigorous accountability program and funding criteria to guide the granting process to external organizations. This will ensure that the City is allocating funds towards mandates that align with city priorities.
- ▶ Remove foremen from the collective agreement so that they may act independently and subjectively. This will be in line with other jurisdictions, such as Fredericton, foremen are not part of the same collective agreement as the workers they supervise.



# Sustainability enablers

## 4.4 Regional collaboration

While the concept is widely accepted by some as a viable opportunity for such a small regional population, implementing regionalization has encountered many debates and particular difficulty in establishing a funding model that is considered fair. During our review, several key service areas were identified for regional collaboration; these options could enable delivery of higher quality services that benefit both the region, and citizens.

The Greater Saint John area relies heavily on the City of Saint John to provide employment, services, entertainment and recreation opportunities to the surrounding areas. Currently, the City has invested in blueprinting the concept of regional economic development with the greater census metropolitan area. A regional approach to promoting the area and providing services would enable a reduction in duplicated administrative functions, and a focused approach to serving and promoting the region to enhance tourism and grow and retain the population.

Other opportunities include police and fire services, and the water utility, to name a few. The proximity of the surrounding municipalities to the City of Saint John and the close connection the residents of those municipalities have with the City make the Saint John region a prime candidate for regionalized services. Other jurisdictions have successfully implemented regionalization, and on a much larger scale. There is unique opportunity here and the ability to be agile and responsive given the region's small population. It simply does not make sense to continue a territorial governance model with such small municipalities, when the alternative would improve services, lower risks for citizens, and reduce costs.



**In summary, EY has the following key recommendations:**

- ▶ Continue the path set to establish a single regional economic development entity for the broader CMA.
- ▶ Engage with the province to foster regional collaboration for specific services.
- ▶ Explore other regional opportunities with neighbouring communities; namely, fire, waste, water treatment and police services.

# Sustainability enablers

## 4.5 Governance & structure

The City has historically operated in a service by service organizational structure. Most recently, the City engaged in a planning exercise to better align the organizational workforce to optimize its resources.

Technology services, payroll and human resources are examples of these. Further opportunities exist to consolidate leadership and services that are currently governed by ABC structures. As an example, Transit is currently undergoing a review to determine the optimization opportunities it could explore, including amendments to legislation and removing its commission status.

The city's organizational structure and governance model requires realignment to alleviate the following challenges:

- ▶ Duplication of effort and work across all entities/ABCs
- ▶ Tri-city procurement practices are inconsistent and optional for entities to participate in
- ▶ Lack of a formal contract management process (no evidence within the city's procurement policy)
- ▶ Bureaucratic practices that include the requirement of Council approval for items that are already approved by Council through the budgeting process
- ▶ Span of control limitations

**In summary, EY has the following key recommendations:**

- ▶ Once the city has refreshed its strategic plan and prioritized its sustainability initiatives, it will need to align its organizational structure and governance to align and support the plan. The recommendations to enhance governance and structure span across all city entities to determine opportunities for long-term efficiencies.



# Sustainability enablers

## 4.6 Culture

The City currently employs 628 workers; 85% are part of unionized agreements. There is a strong historical unionized workforce in Saint John built on a culture of member trust and loyalty.

The culture of trust among union members is admirable and has enabled members over time to enhance working conditions. On the other hand, it has contributed to an us versus them approach which can hinder working relationships and cause tension between front-line workers and management, or ultimately result in low productivity and engagement. In the case of the City of Saint John, the collective agreement articles are heavily protected and, as such, have inhibited the City and the unions from enabling a modernization that aligns with the current environment.

Management, in the past, has made decisions in silos, based on previous experience or practices. The current environment demands a more evidence-based decision-making approach, long-term planning, and policies and procedures that are not rooted in an exceptions approach (80/20 rule). The City is facing a serious structural deficit with limited reserves in place, forcing some decisions to be made based on what-if scenarios and creating a culture that is risk averse.

These behaviours are driven in part because of the city's financial position and lack of reserves. The city's special pension liability has further strained the City beyond its capacity to maintain.

Culturally, the behaviours that will enable the city's future must be embedded by leadership and that will involve challenging the status quo at every turn. It will require bold decisions that will condemn and challenge current behaviours and practices over the long term. It must be recognized that cultural change is difficult and takes time.

**In summary, EY has the following key recommendations:**

- ▶ As part of the strategic refresh, as well as the organizational and governance structural alignment, the City must also include culture and change management as a foundational part of the transformational plan. Specifically, the City should identify the behaviours that currently impede its sustainability path and identify those it wants to permeate the organization to support change and a culture of continuous improvement.
- ▶ Leadership training and a roadmap to shift culture should be adopted to successfully execute on the sustainability plan.



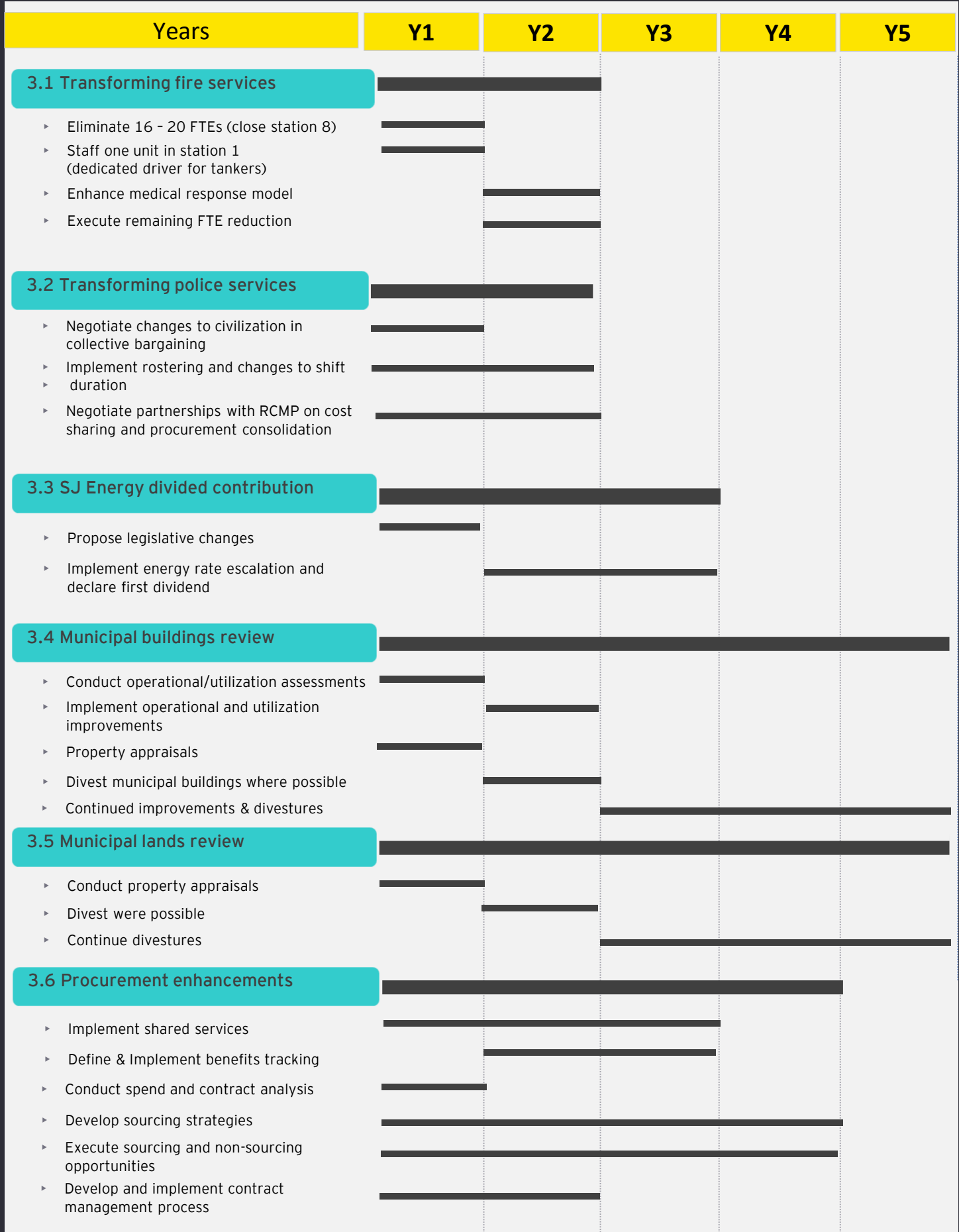


## Summary of sustainability enablers

Sustainability enablers	Recommendations
 <p>4.1 Labour relations</p>	<ul style="list-style-type: none"> <li>▶ Document recommended criteria which the legislation should include</li> <li>▶ Enter into a shorter-term agreement if needed to avoid the ability-to-pay clause not being enacted</li> <li>▶ Examine the landscape, to support each set of negotiations</li> <li>▶ Develop a comprehensive labour relations strategy</li> <li>▶ Conduct an independent evaluation of the negotiating teams</li> <li>▶ Include a labour lawyer on the negotiating team</li> <li>▶ Inventory and pull together significant arbitration decisions that have impacted collective agreements</li> </ul>
 <p>4.2 Tax reform</p>	<ul style="list-style-type: none"> <li>▶ Formally prepare current state assessment of all the key issues above and outline the contributing factors that inhibit city growth and economic prosperity for government's consideration</li> </ul>
 <p>4.3 Performance management and accountability</p>	<ul style="list-style-type: none"> <li>▶ Significantly reduce the minimum number requirement in the collective agreements</li> <li>▶ Implement a rigorous accountability program and funding criteria to guide the granting process to external organizations.</li> <li>▶ Remove foremen from the collective agreement so that they may act independently and subjectively. This will be in line with other jurisdictions, such as Fredericton, foremen are not part of the same collective agreement as the workers they supervise.</li> </ul>
 <p>4.4 Regional collaboration</p>	<ul style="list-style-type: none"> <li>▶ Establish a single regional economic development entity for the broader CMA</li> <li>▶ Explore other regional opportunities with neighbouring communities; namely, fire, waste, water treatment and police services</li> </ul>
 <p>4.5 Governance &amp; structure</p>	<ul style="list-style-type: none"> <li>▶ Align organizational structure and governance to align and support the strategic plan</li> <li>▶ The recommendations to enhance governance and structure span across all city entities to determine opportunities for long-term efficiencies</li> </ul>
 <p>4.6 Culture</p>	<ul style="list-style-type: none"> <li>▶ Include culture and change management as a foundational part of the transformational plan</li> <li>▶ Identify the behaviours that currently impede its sustainability path</li> <li>▶ Identify those that it wants to permeate the organization to support change and a culture of continuous improvement</li> <li>▶ Adopt leadership training and a roadmap to shift culture to successfully execute on the sustainability plan</li> </ul>

# 5.0 Roadmap





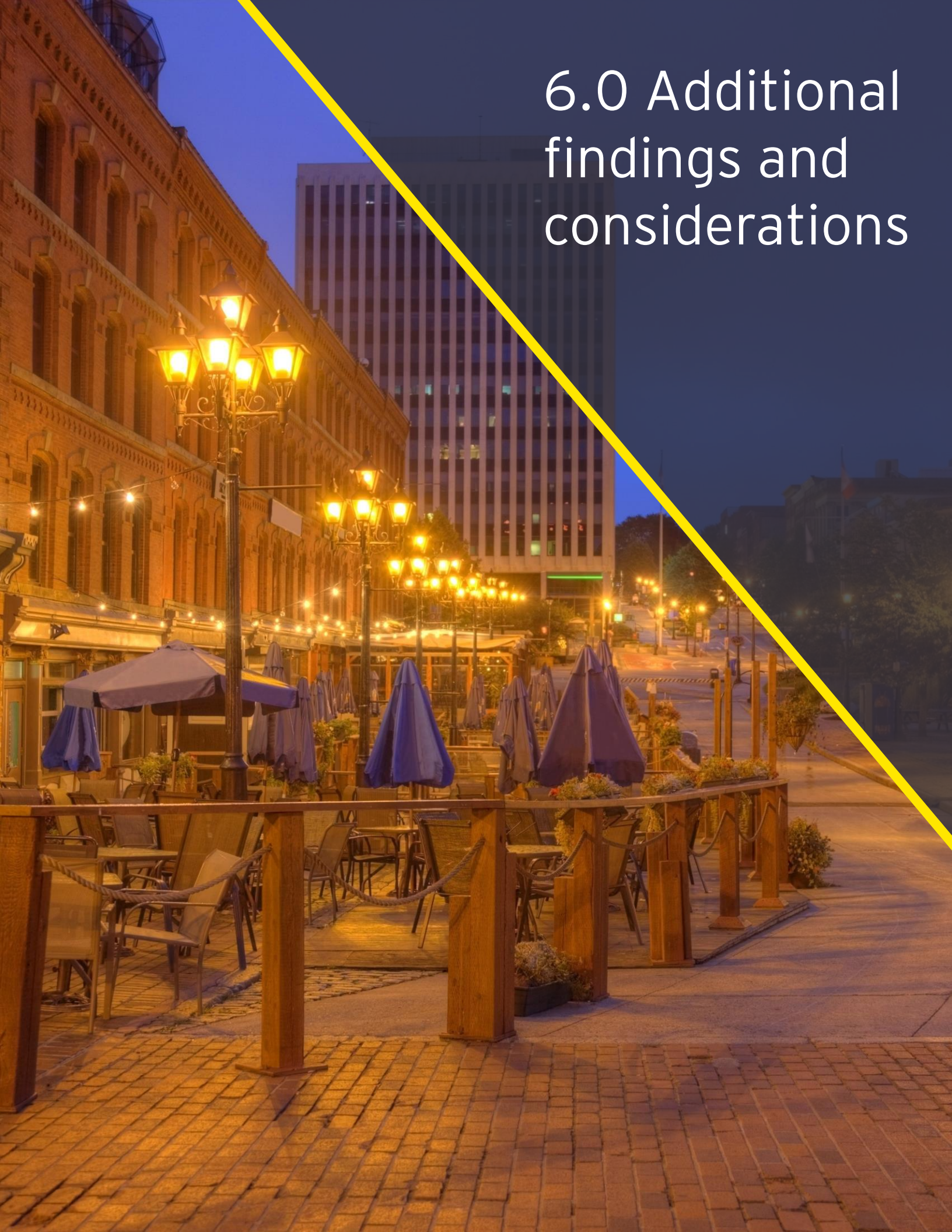
See individual business cases for more details



Years	Y1	Y2	Y3	Y4	Y5
<b>3.7 Saint John Water optimization</b>					
▶ Streamline and optimize workforce through staff reductions and reporting restructuring					
▶ Conduct opportunity assessment to serve other municipalities					
▶ Continue implementing cost reduction and revenue generation initiatives					
▶ Assess metering solutions					
<b>3.8 Regionalization of Economic Development</b>					
▶ Receive final approvals					
▶ Transition to new organization					
▶ Fully implement new organization					
▶ Develop strategic growth goals and KPIs					
<b>3.9 Fleet optimization &amp; efficiency</b>					
▶ Continue and enhance fleet optimization activities					
▶ Share vehicle purchasing with VMA					
▶ Confirm decisions by City and Transit of the merger and move					
▶ Uplift transit garage and move fleet activities from Rothesay Avenue					
▶ Move North Depot activities to Rothesay Avenue facility. Sell 4 lots					
▶ Develop four lots into apartment/residential housing and sell/rent					
<b>3.10 Public works optimization</b>					
▶ Solid waste modernization public engagement and pilot project					
▶ Winter road maintenance					
▶ Winter workforce reduction					
▶ Casual workforce reduction					
▶ Improve Travel time					
▶ Transform the role of foreman					
<b>3.11 ABC reform</b>					
▶ Removing, consolidating and re-negotiating terms and funding requirement					

See individual business cases for more details

## 6.0 Additional findings and considerations





## 6.1 Revenue diversification

The City has identified several areas where it is diversifying opportunities for additional and increased revenues.

In 2019, enabling legislation by the province of New Brunswick provided authority to permit municipalities to establish and collect a Tourism Accommodation Levy. Starting January 1, 2020, the accommodation levy by-law in Saint John will add a further 3.5% to the price of accommodations. This change will enable a \$1.4M revenue opportunity for the City.

The City has also created additional areas of cost recoveries for police and fire services, such as charging industry for fire suppression training and charging for security at public events.

Where possible, the City has improved rental agreements and optimized market rental opportunities. There is still work to be done in this area and the City has identified the targeted agreements that require realignment. The City is also considering enhancements to parking rates and additional levies for vehicles that do not have Saint John permits.

The sale of unused land for the purpose of economic development and growth in the tax base is also being explored as part of the sustainability efforts.

Two other areas that have been identified include Saint John Energy and Saint John Water. These opportunities require legislative changes, in language or interpretation, to enable a flow of surpluses/dividends back to the city's operational budget.

Tax reform is a significant opportunity: this assessment is planned for 2021 by the province and will tackle key questions that include the fair proportionate share of property tax to be allocated between the province and the municipality as well as industry rates, exemptions and assessment practices.



## 6.2 Spending authority

### Current state

Currently, there are significant levels of approval involved in the city's procurement process. Regardless of whether an item or service has been approved in the budget, it must still go through Council for approval and be signed by the mayor and the common clerk. These processes and spending limits are based on provincial legislation and have an impact on the ability of city executives to efficiently drive operations and initiatives on behalf of the City.

#### A. Signing authority

- i. Approve by Council: All contracts the City enters into are required to go to common Council for approval, regardless of the value.
- ii. Signed by mayor and common clerk: The only city staff with the authority to bind the City to a contract are the mayor and the common clerk.

#### B. Spending authority

- i. Amount: The City manager has the authority to approve all expenditures up to a value of \$75K, in accordance with the application of this policy and upon the identification of funds in Council-approved budgets.
- ii. Process: Only the City manager can approve expenditures, and any expenditure which exceeds the above limit or for which funds are not available in the budget, requires common Council approval.

### High-level jurisdictional findings

The procurement processes and spending authority were explored across several municipalities. It was found that many municipalities have high spending and shared signing authority to help drive efficient operations and service delivery through timely expenditures and awarding of contracts. However, it is important to note that spending authority differs by individual municipalities and their needs. There are many municipalities where spending authority is relatively low, e.g., *The Greater Toronto Area*. Common highlights from jurisdictional findings include:

- ▶ Shared signing authority for City managers, directors, managers and delegates (e.g., Ottawa and Halifax)
- ▶ Increased spending limits for City managers, directors, managers and delegates (e.g., Ottawa and Halifax)
- ▶ Transparent reporting to the public and Council on expenditures and awarding of contracts
- ▶ Special/specific types of contracts still go to Council for approval

### Recommendations

EY recommends the following changes be brought to Council for approval once the City has confirmed through legal opinion any legislative changes required and after a contract management system is in place that would support quarterly reporting requirements:

- ▶ Increase in spending authority for the City manager to \$500K to be in line with Moncton (for pre-approved budget items).
- ▶ Expansion of spending authority, to include directors with an amount of \$100K and approved delegates, with an amount of \$50K (for pre-approved budget items).
- ▶ Expansion of the signing authority beyond the mayor to include the City manager, directors and approved delegates for pre-approved budget items. Legal review would still be required.
- ▶ All non-budgeted items continue to go to Council for approval.

*Note that legislative changes would be required to expand signing authority beyond the mayor and common clerk.*



## 6.2.1 Spending authority: overview of jurisdictional findings

### Ottawa

- ▶ Directors have responsibility for procurement activities within their service area and branches and are accountable for achieving the specific objectives of the procurement project.
- ▶ Directors have the authority to award contracts in the circumstances specified in this by-law.
- ▶ The director or supply services on behalf of the concerned director may award a contract of \$500K or less.
- ▶ Awards emanating from a request for proposal require general manager approval where greater than \$500K.
- ▶ Non-competitive awards require general manager and Supply Services approval where greater than \$100K.
- ▶ Where a formal agreement is required, as a result of the award of a contract by delegated authority, the director shall execute the agreement in the name of the City of Ottawa.
- ▶ The Chief Procurement Officer shall submit to Council an information report semi-annually containing the details relevant to the exercise of delegated authority for all contracts awarded by directors exceeding \$25K and Supply Services shall certify in the report that the awards are in compliance with the purchasing by-law.
- ▶ Where authority is delegated to a specific staff member in this by-law, the authority may further be delegated to staff members within the applicable department as outlined in the city's organizational chart, or to Supply Services, provided that such delegation is authorized in writing and does not exceed the authority delegated by this by-law to the authorized person. Sub-delegation of authority will be limited to two reporting levels below the authorized person and cannot be further delegated.
- ▶ Despite any other provision of this by-law, the following contracts are subject to Council approval: (a) any contract requiring approval from the Ontario Municipal Board; (b) any contract prescribed by statute to be made by Council; (c) where the cost amount proposed for acceptance is higher than the Council-approved branch estimates and the necessary adjustments cannot be made; (d) where the revenue amount proposed for acceptance is lower than the Council approved branch estimates; (e) where a major irregularity precludes the award of a tender to the supplier submitting the lowest responsive bid (2010-291); (f) where authority to approve has not been expressly delegated (2010-291); and, (g) where a contract is a result of a public private partnership ("P3") opportunity (2010-291).
- ▶ <https://ottawa.ca/en/living-ottawa/laws-licences-and-permits/laws/law-z/procurement-law-no-50-2000>

### City of Hamilton

- ▶ Council must approve budgetary funding for any procurement of a value of \$250K or greater.
- ▶ City manager must approve any procurement of a value of \$100K up to but not including \$250K. The city manager may sub-delegate such approval authority to their staff, who are referred to as an authorized delegate in the table below, at the procurement values they deem appropriate.
- ▶ All authorized delegates will complete the Notification of Signing Authority Form, which shall not be effective until approved and executed by the general manager or city manager.
- ▶ <https://www.hamilton.ca/sites/default/files/media/browser/2017-04-13/procurement-policy-by-law17064.pdf>





## 6.2.1 Spending authority: overview of jurisdictional findings

### Halifax

- ▶ The Chief Administrative Officer (CAO) has signing authority for any contract on behalf of the city.
- ▶ The procurement manager can sign any contract where the vendor is bound to the municipality's standard terms and conditions.
- ▶ Directors can sign any contract where the award has been approved by the director or by an employee in the director's business unit.
- ▶ Managers can sign any contract per delegation of authority from their director.
- ▶ The CAO as the authority to award contracts up to \$1.25M.
- ▶ Only expenditures over \$1.25M must go to Council for approval.
- ▶ The CAO as the authority to approve any expenditure amounts that are exempt from the application of this administrative order.
- ▶ Directors have the authority to approve up to \$100K.
- ▶ Managers have the authority to approve up to \$50K.
- ▶ "Changes in limits are based on a jurisdictional scan and an analysis of publicly tendered purchases for 2015/16. The changes in limits will allow the Municipality to seek administrative efficiencies for the approval of contracts between \$500,000 and \$1,250,000. Under the current policy, all awards over \$500,000 require Council approval, despite the fact that Council has pre-approved budgets and the municipality's limited ability to award to tender contracts other than to the low bidder. Providing conditional authority to directors reflects similar practice to the province of Nova Scotia and other jurisdictions, recognizes Council's budget approval process, and could allow paving, sidewalk and other time sensitive tenders to be approved for award.
- ▶ <https://www.halifax.ca/sites/default/files/documents/city-hall/regional-Council/170704rc41i.pdf>

### Tyler City, TX

- ▶ The Tyler City Council has given its staff more authority to approve spending items, passing a new ordinance. The action means that city law requires fewer contracts to go before city Council for approval at its regular meetings. The ordinance increases spending authority for the city manager from \$25K to \$50K; for the city's key leaders from \$10K to \$25K; and for the city's department leaders from \$5K to \$10K.
- ▶ [https://tylerpaper.com/news/local/tyler-city-Council-gives-staff-increased-spending-authority/article\\_72448b98-71c3-11e9-b644-232539f48928.html](https://tylerpaper.com/news/local/tyler-city-Council-gives-staff-increased-spending-authority/article_72448b98-71c3-11e9-b644-232539f48928.html)

### Charlotte, NC

- ▶ Charlotte city Council will soon vote on a resolution that is recommending giving the city manager the authority to award contracts up to \$500K without obtaining consent from Council. Currently, the city manager has delegated authority for up to \$100K.
- ▶ <https://www.charlotteobserver.com/news/local/article223212020.html>



## 6.3 Shared services

The City has explored a shared services model for IT services; however, there are opportunities to expand this portfolio to include other services that are common across various divisions/departments. Additional efficiencies may be obtained by expanding the purview of shared services to ABCs, as noted in the ABC review conducted by the City in November 2019. The City may consider moving common services (e.g., finance, HR, IT, etc.) to a shared services model to optimize the workforce and reduce duplication of efforts across the City. Consolidation of resources could improve interaction, communication, and responsiveness while providing a single corporate-wide view to support decision making instead of operating in silos.

- ▶ Some of the non-financial benefits of a shared service model include:
- ▶ Operational efficiencies, by reducing duplication and allowing for faster decision making
- ▶ Improved quality and reduced turnaround time for activities and processes due to removal of bottlenecks
- ▶ Consistent and uniform approach to collective bargaining across the City and its ABCs, allowing greater control of labour costs
- ▶ Optimization of existing resources (e.g., IT) and implementing a common governance structure for all assets and infrastructure

## 6.4 Grants

In 2020 the City of Saint John budgeted over \$750K in grants for community events, programs and neighbourhood activities. When funds are provided to third-party organizations to deliver community-based services, there is no mechanism in place to measure the effectiveness of such programs.

The City should consider implementing a policy giving the ability to audit and measure the impact of grant funding. This would provide the City with the tools to track how and when funds are being spent as well as the successfulness of programs/events. Having this baseline in place would provide the City with information to make informed decisions on where to spend public funds to have the greatest community impact.



## 6.5 Transit

The Saint John Transit Commission plays a critical role in supporting the citizens of the City of Saint John, especially those living in priority neighbourhoods. In a previous review of the 2016 Census, EY found that Saint John has six census tracts where the percentage of the population living in a low-income bracket exceeds 38.0% (Moncton – has one), and ten census tracts where the percentage is between 23.7% and 37.9% (Moncton – has five). For comparison, the national average in the 2016 Census was 14.2%. The Central Peninsula has a high concentration of low-income families, and children living in poverty is also over 30%. Service is also provided to low-density and rural settlement areas within the municipal boundaries. As a result, reported ridership is approximately 50% higher than the average for Canadian cities with a population between 50,000 and 150,000 (at approximately 2.1M passengers per year).

Since 2010, ridership has declined 21%, while operating costs have not dropped at the same rate as the service level (therefore, the hourly cost to operate the service has increased). The municipality has been proactive, working on a new strategic plan called Move SJ. Additionally, the subsidy provided to Saint John Transit is facing a significant targeted cut of \$2M out of \$5.63M (36%) due to the City facing a budget shortfall.

In fall 2019, the City solicited the services of a third party to conduct an operational audit of Saint John Transit's service offering and operations. This included the identification of support processes and procedures to ensure the successful implementation of proposed changes (before November 30, 2020) to maintain/or improve service levels for citizens of Saint John, and specifically Transit passengers. The goal is to maintain and/or improve service offerings, while receiving up to \$2M less in City subsidies for Transit operations.

It is anticipated that the outcome of this study will be available in the fall of 2020.

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# Appendix





# Appendix A: Benchmarking



## Benchmarking analysis

As part of the operational review, a benchmarking assessment was conducted to compare how Saint John is performing against other Canadian cities.

It is recognized that Saint John is a unique city; therefore, Canadian municipalities that shared the most similar qualities were selected as comparable municipalities for this assessment. The jurisdictions selected included the following: Halifax, Thunder Bay, Sudbury and Regina.

Characteristic	Saint John	Halifax	Sudbury	Thunder Bay	Regina
Population	68,808	430,512	161,531	107,909	234,177
Households	34,070	195,529	75,612	50,388	95,194
Geographic area (sq. km)	3,509	5,927	3,625	2,556	4,324
Total budgeted FTEs	828	4,366.90	2,546.00	2,365	2,836.40
Municipal expenses	175,194,925	976,736,401	611,406,751	540,245,680	594,141,996
Municipal purchases	52,858,226	374,576,181	297,070,673	2,652,936,915	257,978,872

While Saint John has a smaller population, the four municipalities chosen are similar in size and share common characteristics in other areas such as a strong working class base, similar key industries, infrastructure risks and common economic challenges such as a shrinking tax base, ageing population and poverty.



## Rational for selection of comparable municipalities

Factors	Halifax Regional Municipality	City of Greater Sudbury	City of Thunder Bay	City of Regina
Population	Halifax has a population of 430,512, which includes the entire Halifax Regional Municipality. Halifax has a dense population of 71 persons per km <sup>2</sup> .	Sudbury, with a population of 107,909, has the lowest population of the cities included in the 2018 MBN report. The city has a low population density of 47.1 persons per km <sup>2</sup> .	Thunder Bay has a population of 234,177 and is also relatively dense, with a population density of 330.1 persons per km <sup>2</sup> .	Regina has a population of 161,531. The city is one of the lowest included in the 2018 MBN report. However, Regina has a very dense population with 1,327 persons per km <sup>2</sup> .
Geography	The geographic area of Halifax is large at 5,927.54 km <sup>2</sup> . The city is situated in the southern region of Nova Scotia and acts as the main port of entry for the province. Halifax borders New Brunswick and is the only Atlantic municipality included in the 2018 MBN report.	The geographic region of Sudbury is the largest in Ontario with 328.24 km <sup>2</sup> . Sudbury is surrounded by bodies of water and wilderness. Additionally, Sudbury is prone to snow-covered, harsh winters.	The geographic region of Thunder Bay is relatively small at 182.43 km <sup>2</sup> . Thunder Bay is situated on Lake Superior and borders the State of Minnesota and is surrounded by rocks, lakes and forests.	The geographic region of Regina is 3,625.00 km <sup>2</sup> . While Regina is flat, there is an abundance of parkland and greenspace. Similarly to Saint John, Regina is separated into key neighbourhoods. The majority of its residents live in its urban centre, resulting in the dense population.
Demography and culture	Halifax is a maritime port city with a strong working class and tourism industry. While the city has a minority population of 11%, it struggles with its ageing population and attracting people to move to and work in the city.	Sudbury has a large French-speaking population with 16% identifying as French first language. However, it has few visible minorities, representing only 3.8%. The city struggles with its ageing population (19% over the age of 65). Sudbury acts a northern hub for education and healthcare, for smaller nearby communities.	Thunder Bay is a port city and has a strong working class. The city has few visible minorities, representing only 4.5% of the population. It also struggles with an ageing population, with 21% of people over the age of 65. Thunder Bay acts as a hub in the north-western part of the province for smaller nearby communities.	Regina has a large working class but also struggles with an ageing population and attracting people to the city. However, Regina has a large aboriginal population (8.3%) and is the cultural centre of the province, attracting residents and tourists. Regina has high crime/severity rates compared to other Canadian cities.
Infrastructure	Halifax is home to multiple universities and an abundance of historic infrastructure. Halifax also has a large number of industrial sites, including shipbuilding and other manufactured goods sites.	Sudbury has one of the highest property tax rates in Ontario. The city also struggles with poor road quality across the city, among other infrastructure concerns, and has a significant deferred deficit.	Thunder Bay has the second highest property tax rate in Ontario. Its port is the sixth largest in Canada. The city is home to some of the top medical centres in the province and also has a large number of cultural, sports and recreational facilities.	Regina, while more modern than some, has a large number of historic buildings and infrastructure. In addition, the city has a number of large buildings that have become costly, such as theatres, sports and recreation facilities.
Economy	Halifax's largest economic driver is trade jobs, with public sector jobs a close second. The Halifax economy is growing but still struggles with a high level of poverty, with some HRM neighbourhoods showing poverty rates of 33.6%.	Sudbury's economy over the last decade includes mining, professional services, public sector, science and technology. Key economic challenges include attracting more students to the region, encouraging people to join the workforce and encouraging immigration.	Thunder Bay has a strong industry base in pulp/paper mills and sawmills, as well as public sector, and growing industries such as technology and health. The city has invested in its medical and research facilities to attract people to the region but has struggled with poverty, mental health, addiction and crime.	Regina's largest economic driver is trade jobs (energy and natural resources), with the economy relying heavily on industry. In addition, public entities, produce jobs and attract students to the city. Craft breweries have large point of growth in the city.

# Summary for selection of comparable municipalities

## Halifax :

- ▶ Only Atlantic Canada city in the 2018 MBN report
- ▶ Strong working class in a port city with similar key industries
- ▶ Low population density
- ▶ Comparable state and age of infrastructure
- ▶ Similar economic challenges (poverty, attraction and retention of residents)
- ▶ Strong sense of community and culture

## Thunder Bay :

- ▶ Strong working class in a port city with similar key industries (pulp/paper mills, public sector)
- ▶ High property tax rate
- ▶ Similar economic challenges (poverty, attraction and retention of residents)
- ▶ Mental health, drugs and addiction issues
- ▶ Strong sense of community and culture

## Sudbury:

- ▶ Strong working class with similar key industries
- ▶ Low population density
- ▶ High property tax rate
- ▶ French-speaking population
- ▶ Poor quality of roads
- ▶ Similar economic challenges: (poverty, attraction and retention of residents)
- ▶ Strong sense of community and culture

## Regina:













- ▶ Strong working class with similar key industries (oil refining, public sector)
- ▶ Large, underutilized infrastructure
- ▶ Similar economic challenges: (poverty, attraction and retention of residents)
- ▶ Mental health, drugs and addiction issues
- ▶ Police relationship and presence with the community
- ▶ No volunteer firefighters
- ▶ Strong sense of community and culture

## Selected benchmark service areas

Benchmark Service Area	
Building permits and inspection	Planning
By-law enforcement	Police services
Culture	Roads
Fire services	Sports and recreation
Fleet	Transit
Parks	Waste management



## Benchmarking analysis

Benchmark Areas	Focus Benchmarks	Saint John	Comparator*	Difference	Difference %
Fleet	<ul style="list-style-type: none"> <li>Total number of medium and heavy vehicles (municipal equipment) door rate</li> </ul>	118.09 	102	16.09	+16%
Fire services	<ul style="list-style-type: none"> <li>Fire services total cost per capita</li> <li>Fire services total cost per household</li> <li>Fire services total cost per sq. km</li> </ul>	\$346 \$698 \$7,580 	\$236 (Tbay)** \$567 (Tbay)** 11,653 (Tbay)**	\$110 \$131 \$4,073	+46% +23% -54%
Police services	<ul style="list-style-type: none"> <li>Police services total cost per capita</li> <li>Police services total cost per household</li> <li>Police services total cost per sq. km</li> </ul>	\$373 \$698 \$8,076 	\$314 (HFX)*** \$729 (HFX)*** \$21,324 (HFX)***	\$59 \$31 13.248	+19% -4% -164%
Waste management	<ul style="list-style-type: none"> <li>Total cost for solid waste diversion per tonne - all property classes</li> </ul>	\$275 	\$83	\$192	+231%
Building permits and inspections	<ul style="list-style-type: none"> <li>Operating cost of building permits and inspection services per \$1,000 of residential and ICI construction value</li> </ul>	\$10.32 	\$4.3 (HFX)	\$6.02	+140%
By-law enforcement	<ul style="list-style-type: none"> <li>Operating cost of enforcement for noise, property standards, yard maintenance and zoning by-laws per 100,000 population</li> </ul>	\$1,402,998 	492,049	\$910,949	+185%
Culture	<ul style="list-style-type: none"> <li>Culture: Total costs per capita</li> </ul>	\$12.60 	\$23.31	\$10.71	-46%
Parks	<ul style="list-style-type: none"> <li>Operating cost of parks per capita</li> </ul>	\$40.25 	\$64.38	\$24.13	-37%
Planning	<ul style="list-style-type: none"> <li>Total cost for planning per capita</li> </ul>	\$17.74 	\$23.505	\$5.765	-25%
Roads	<ul style="list-style-type: none"> <li>Total cost for paved roads per lane KM (hard top)</li> </ul>	\$16,136 	\$11,809	\$4,327	+37%
Sports and recreation	<ul style="list-style-type: none"> <li>Annual number of unique users for directly provided registered programs as a percent of population</li> </ul>	15.71% 	6.30%	0.094	+149%
Transit	<ul style="list-style-type: none"> <li>Total cost (expenses) per revenue vehicle hour</li> </ul>	\$130 	\$136	\$27	-20%



## Assumptions

\*The median, not including Toronto, Montreal and Calgary is used as the comparator, unless otherwise stated

\*\* Thunder Bay was used as the key comparator for fire services cost per capita and household as it is the next highest benchmark in the comparison group, it holds several common characteristics including: being a port city, similar key industries (e.g., trades, public sector, pulp and paper), has a high property tax rate and struggles with poverty and addictions.

\*\*\*Halifax was used as the key comparator for police services cost per capita and household as it shares a similar crime severity index SJN (54.32), HFX (67), along with being a port city, with similar industries, in the Maritimes.

\*\*\*\* More discussion and analysis are required to understand the makeup of this benchmark

Source of benchmarking data for comparable municipalities is the 2018 Municipal Benchmarking Network Report

Source of benchmarking data for the City of Saint John is city staff (note that special pensions were not included in benchmarking calculations)

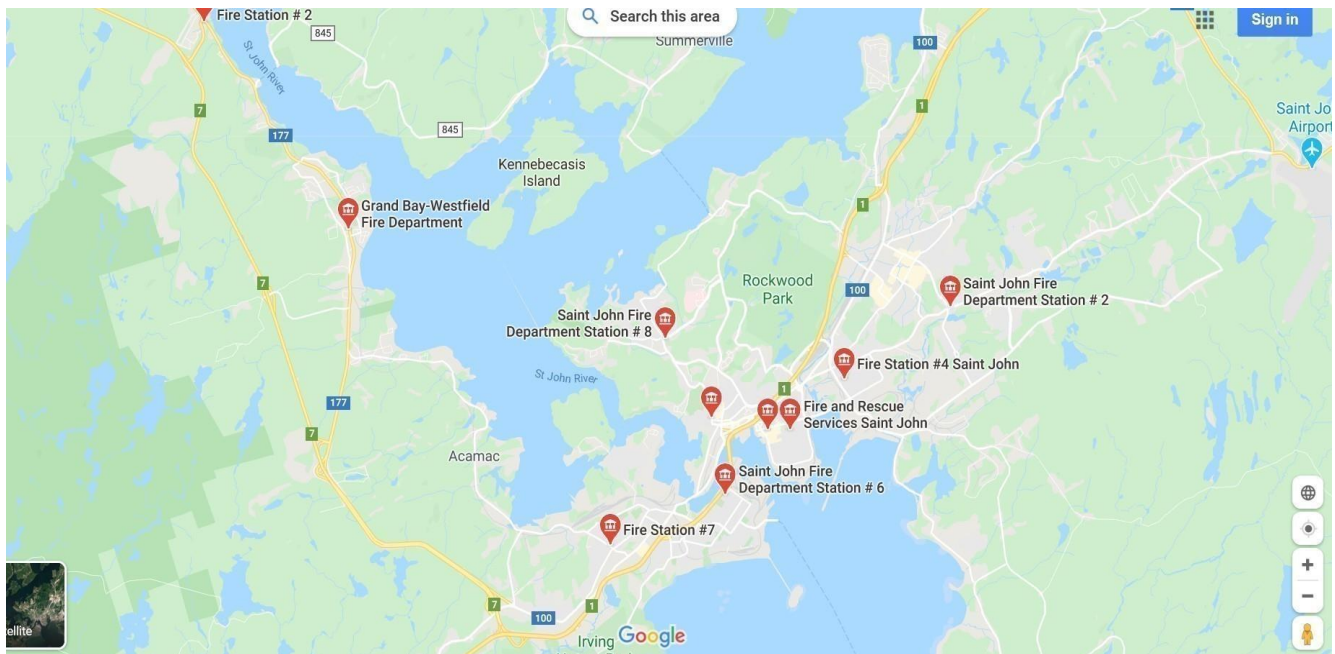
Key location data pulled from the Statistics Canada 2016 Census

# Appendix B: Fire services



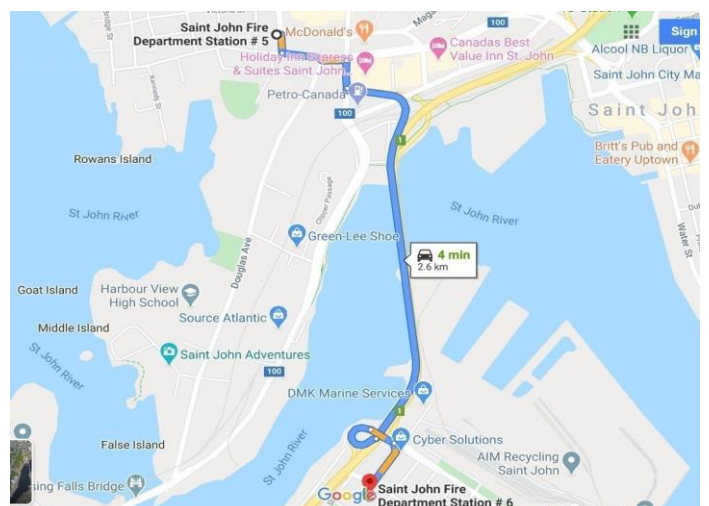
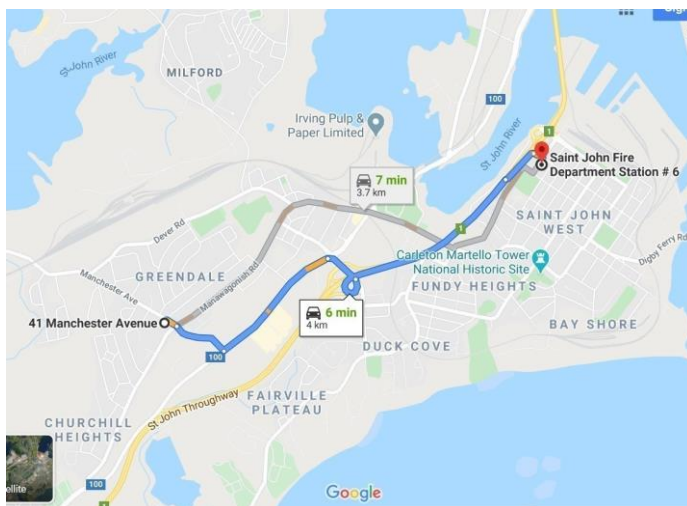


# Saint John Area fire stations



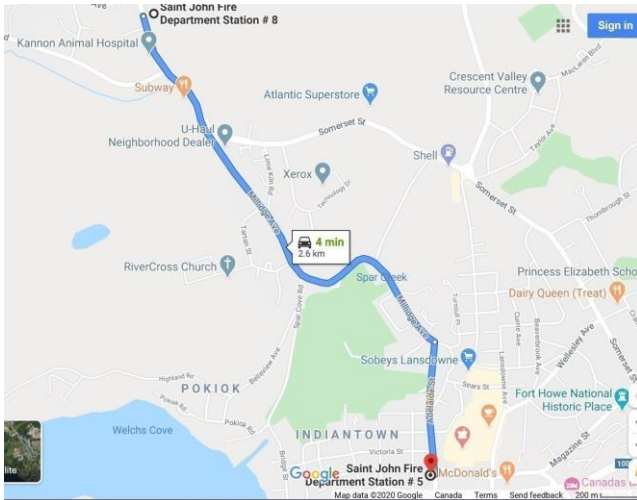
## Fire station proximity

Distance and travel time between Stations 7 and 6 and Stations 5 and 6 ranges between 2.6km to 4km with travel times between 4 and 6 minutes. Fire Station 6 is old and the requirement to maintain Station 6 should be re-evaluated in accordance with a risk assessment.



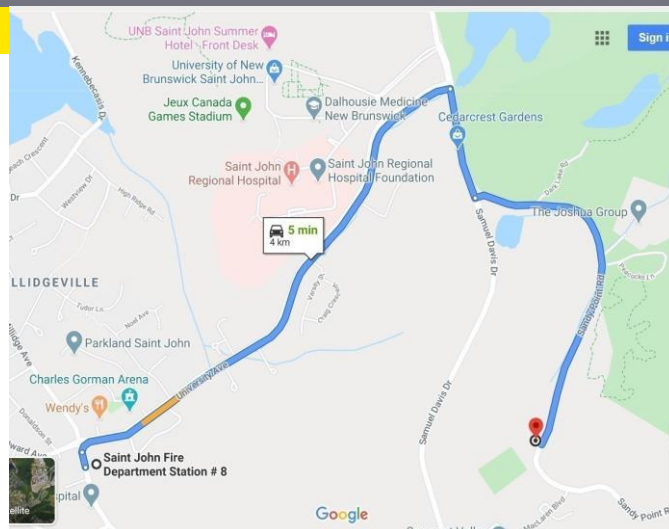
Disclaimer: The source is Google Maps. Please note that fire apparatus could be faster as the public tend to yield to them.

## Fire station proximity (cont.)

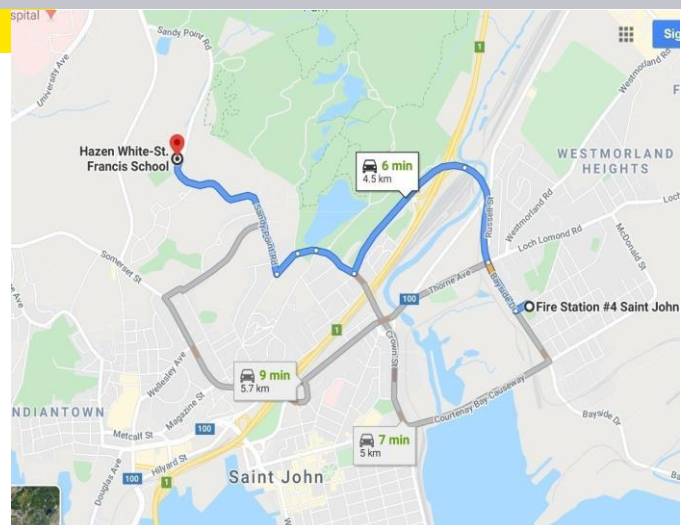


Distance and travel time between Stations 8 and 5 is 2.6km and 4 minutes.

A risk analysis should be performed to support the closure of Station 8.



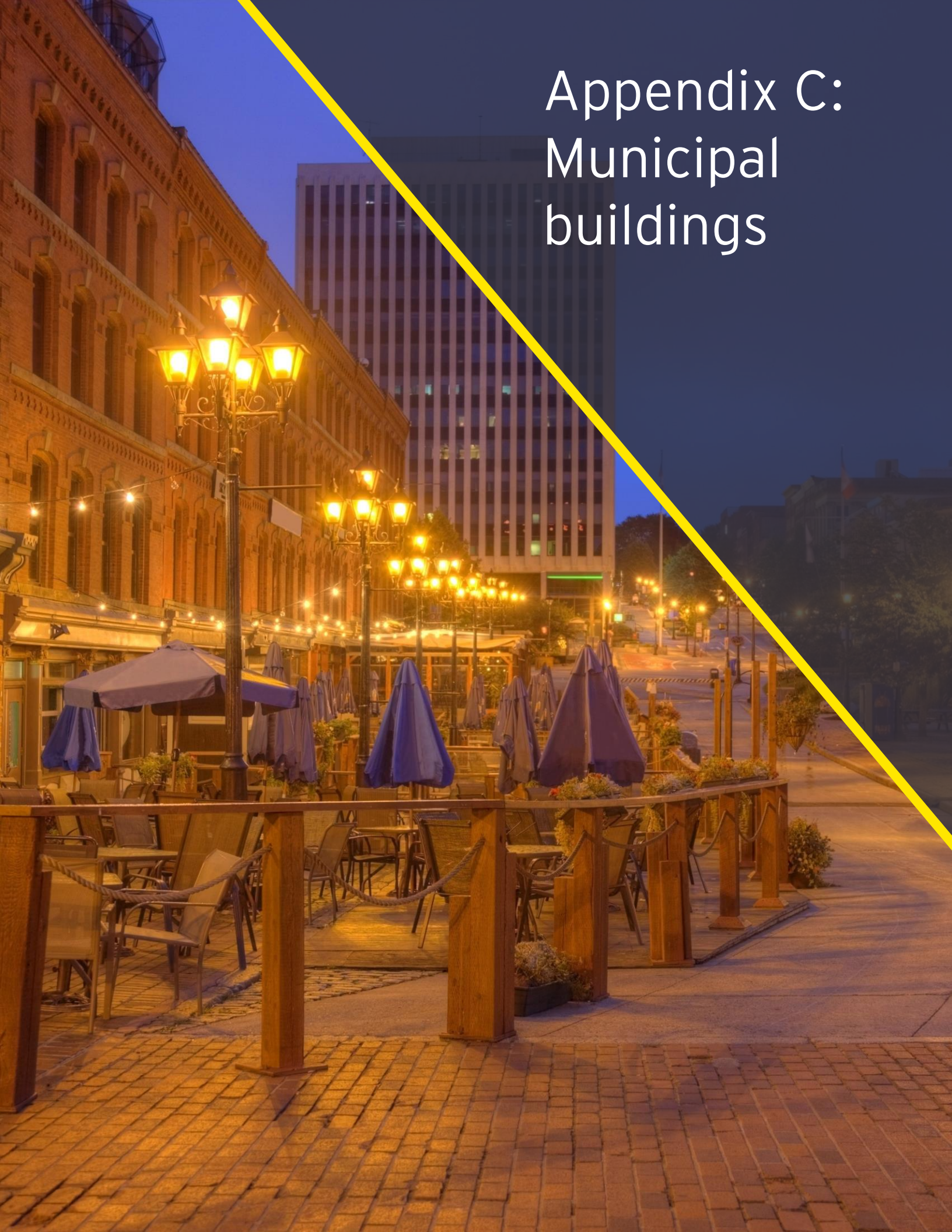
Distance and travel time between Stations 8 and 4 to the middle of Sandy Point Road - Hazen White St. Francis School is between 4-4.5km and within one minute with the new highway interchange.



Disclaimer: The source is Google Maps. Please note that fire apparatus could be faster as the public tend to yield to them.



# Appendix C: Municipal buildings



## Municipal buildings opportunities (1/3)

Parks and public spaces buildings	Location	Type of opportunity	Value of opportunity (2019 assessment)	Occurrence	PAN ID	Opportunity
Forest Hills Maintenance Depot/Office and Ballfield/Canteen	707 and 651 Westmorland Road	Operational assessment	\$272,500 Operational assessment required	One-time	01532563	Forest Hills Maintenance Depot operations and utilization is dependent on the outcome of the Boars Head Road's North Depot closure and relocation of employees.  If personnel from North Depot are not relocated to Forest Hills Maintenance Depot, there is opportunity to assess its use and whether there is a divestment opportunity.
Dominion Park Canteen/Clubhouse and Dominion Park Storage Building	730 Dominion Park	Sale	Percentage of total assessment value (\$150,900)	One-time	01718703	The Dominion Park city-owned buildings and the beach itself take up only a small portion of the total land the city owns in this area.  There may be opportunity to develop in the large forested area to the northeast of the beach. Developer interest in this area is required as well as an assessment of utilities.
Rockwood Park Horse Barn	175 Fisher Lakes Drive	Lease/sale	Further assessment required/ (potential sale of zoo \$226,000)	One-time	N/A	Lease holders must abide by Rockwood Park regulations. The current lease holders' agreement is expiring soon and the Cherry Brook Zoo may be interested in moving into this space. If the zoo is relocated, it also opens up the opportunity to sell the current zoo location (value not available; smaller neighbouring property assessed at \$226,000)
Rockwood Park Interpretation Centre	10 Fisher Lakes Drive	Utilization review	Further assessment required	Annual	N/A	This is a small building near Lily Lake within Rockwood Park. The building is currently used by the city's naturalist as well as summer workers.  As the building is not utilized outside of summer, there may be opportunity to find a use for it during other seasons. Note that the building is not winterized.
Fallsview Park washrooms	100 Fallsview Avenue	Operational assessment	Further assessment required	Annual	04087046	These washrooms were previously used by participants of Reversing Falls Jet Boat, which has since closed. There is now a zipline operation in the area which uses them.  There was a previous plan regarding the harbour passage working group that has since fallen through which would increase use of these washrooms.  Many bus tours stop in the area to observe the Reversing Falls.  There may be opportunity to charge buses per visit (per bus or per passenger)
Harbour Passage	N/A	Operational assessment	Further assessment required	Annual	N/A	Similarly to other cities with high density boardwalks, walkways, and pedestrian passages, there is opportunity for short-term rentals to generate revenue.  Using the Halifax Boardwalk as an example, there is a total of 22 different types of vendor spaces. Some of the kiosks have power and water, others only have electricity and some are operated out of shipping containers.  It is understood there was a shipping container art contest recently along the Harbour Passage. These containers could potentially be used as short-term lease spaces.
St. Peter's Park	Douglas Street West	Sale	82,200	One-time	01655531	There should be an assessment of this land to determine any sale opportunities. This ballpark may be underutilized and there is also land beyond the outfield where development is possible.  It is understood that an assessment of the land is needed both topographically and archeologically to determine feasibility.
Little River Reservoir	60 Wayne Way	Sale	Further assessment required	Further Assessment Required	N/A	There is a beach, playground area, and trails surround the watershed in this area.  As there has been new water utility infrastructure installed in the city, an assessment could determine whether the eastern watershed continues to need protection. If it does not, there may be development opportunities in this area.
Lorneville Recreation Centre	1141 Lorneville Road	Operational assessment	Operational assessment required	Annual	04839778	There is opportunity to assess the operational cost of this asset and compare it against the amount that primary stakeholders pay the city to use it per year (Lorneville Community Centre).  Opportunity to pass operations cost to stakeholders and not charge usage fees if operational assessment deems appropriate.  Need to confirm city manages operations.



## Municipal buildings opportunities (2/3)

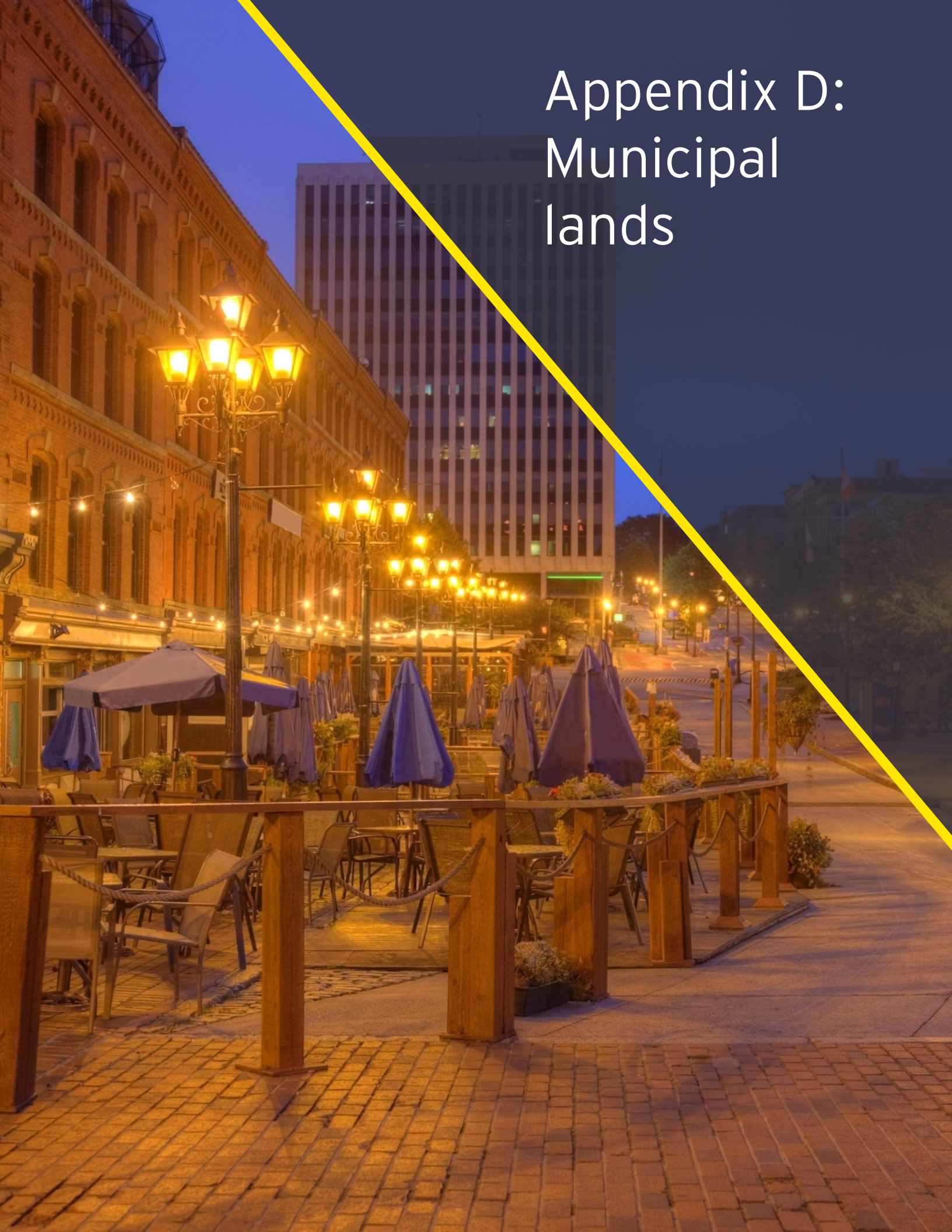
Municipal operations	Location	Type of opportunity	Value of opportunity (2019 assessment)	Occurrence	PAN ID	Opportunity
Municipal Operations Complex	171-173 Rothesay Avenue	Operational assessment	Refer to fleet business case (Not included in 19 municipal building opportunities)	Refer to fleet business case (savings excluded from buildings and lands business cases)	04129953	The garage on 171-173 Rothesay Avenue was original designed as a horse barn in 1918 and is not fit-for-purpose for the fleet there; therefore, it is understood that Stantec is undertaking a review to determine if the fleet can be moved into the under-utilized Transit Facility. It was noted that it would likely be very expensive to retrofit the garage to become fit-for-purpose.  If Stantec's assessment concludes it is possible to move the fleet to the Transit facility, it is understood they will then look into the costs associated with the move, as well as moving the North Depot employees and equipment to 171-173 Rothesay Avenue, which is more fit for their purposes.
Works North Garage/Office	100 Boars Head Road	Sale	Refer to fleet business case (Not included in 19 municipal building opportunities)		01663136	If further space is required than that available at 171-173 Rothesay Avenue, the city is planning on moving some employees/equipment to the Forest Hills Maintenance Depot on Westmorland Road. The City does not believe it will need to use Forest Hills for this; therefore, there may be opportunity to utilize it for something else.

Agencies, boards and commissions (limited responsibility)	Location	Type of opportunity	Value of opportunity (2019 assessment)	Occurrence	PAN ID	Opportunity
Aquatic Centre	50 Union Street	Operational assessment/sale	Assessment of EOs required/ 805,800 (building) \$552,000 (parking)	One-time	01630612	There is an Expression of Interest (EOI) due February 21, 2020 to determine potential opportunities with the Canada Games Aquatic Centre.  Using the City of Saint John's Land - Parking Lots document, the eastern parking lot is valued at \$465,000 (appraisal information) and the southern parking lot is valued at \$87,000, using \$25/ft <sup>2</sup> .  Assessment of EOs is necessary to determine opportunities.
Lord Beaverbrook Rink	536 Main Street	Sale	979,000	One-time	01649239	As per the City of Saint John's Land - Parking Lots document, the lower parking lot at the Lord Beaverbrook Rink is valued at \$979,000 using \$15/ft <sup>2</sup> . Utilization assessment required to determine if development opportunities are available.  Note: The LBR is operated by a committee, was a gift from Lord Beaverbrook to the citizens of Saint John and will forever to be operated by the citizens of the community unless a change in legislation is made.
TD Station	99 Station Street	Operational assessment/sale	Assessment of EOs required/ \$324,000 (arena)** \$2.4M (parking)	One-time	01659006	TD Station is operated by a commission existing under provincial legislation. The City owns the building and it appoints members to the committee.  TD Station is partially funded by the regional facilities commission (different municipalities)  There is currently an EOI out to determine the interest in the facility. Private operation is a possibility for the arena and there has been interest in this.  Depending on what proponents propose in the EOs, there may be opportunity to divest sections of the parking lot.  Using the City of Saint John's Land - Parking Lots document, the southwestern parking lot is valued at \$1.1M and the northeastern parking lot is valued at \$1.3M, both using \$15/ft <sup>2</sup> .  Assessment of EOs is necessary to determine opportunities.  **\$324,000 assessment value for TD Station seems substantially lower than what the true market value would be.

## Municipal buildings opportunities (3/3)

Agencies, boards and commissions (limited responsibility)	Location	Type of opportunity	Value of opportunity (2019 Assessment)	Occurrence	PAN ID	Opportunity
Peel Plaza Parking Garage	Carleton-Sewell Streets	Operational assessment	Utilization assessment required	Further assessment required	05977943	<p>The parking structure is operated by the Saint John Parking Commission. The parking structure was built to have additional levels built on top of it.</p> <p>As the coast guard parking on the waterfront land is being removed for development, parking may be relocated to this parking structure. Also, depending on the EOI outcomes of the Canada Games Aquatic Centre and TD Station, if parking is impacted, the parking structure may be used.</p> <p>Recommend undertaking utilization assessment of parking structure to determine opportunities.</p>
Saint John Water	Location	Type of opportunity	Value of opportunity (2019 assessment)	Occurrence	PAN ID	Opportunity
Approximately 50 buildings	Various	Operational assessment	Operational assessment required	Further assessment required	Various	<p>As there has been recent water utility infrastructure implemented in the City, there may opportunities to decommission or repurpose SJ Water properties that have become redundant.</p> <p>Further assessment is required to determine if the east and west watersheds need continued protection due to the new infrastructure installed. Examples include the Spruce lake and Loch Lomond areas.</p> <p>As there are many Saint John Water buildings and lands, it is recommended the City undertake an assessment of the properties still in use, and which are now surplus to requirements in order to identify opportunities.</p>

# Appendix D: Municipal lands





## Lands opportunities (1/2)

### Appendix D.1 - Departments by Value of Vacant Land > \$25,000 (2019 Assessment Value)

Department	Quantity	Land Value (2019 Assessment)	Opportunity	Occurrence
Recreation	13	\$639,300	<p><b>Falls View Drive (\$96,100)</b> - Adjacent to the Reversing Falls Restaurant parking lot. The 14½ Restaurant is currently overholding their lease. Opportunity for City to sell. (PAN 06230881)</p> <p><b>Green Head Road (\$76,700)</b> - Formally leased to JDI prior to 2016. Opportunity to lease space or sell. (PAN 01719042)</p> <p><b>Lock Lomond (\$70,700)</b> - Building was demolished in November 2013, leaving goalposts and fenced court remaining. Opportunity to sell. (PAN 04882886)</p> <p><b>Fallsview Ave (\$70,000)</b> - (PAN 04087046)</p> <p><b>Milford Road &amp; Francis Ave (\$69,800)</b> - Donated by Emera Brunswick in 2012. Opportunity to utilize or sell. (PAN 01713818)</p> <p><b>Lake Drive South (\$45,000)</b> - Beach lot beside Lily Lake Pavilion (PAN 05748580)</p> <p><b>Kennebecasis Drive (\$39,400)</b> - (PAN 01679755)</p> <p><b>Sandy Point Road (\$34,700)</b> - (PAN 04667993)</p> <p><b>Morris Street (\$30,000)</b> - (PAN 03819709)</p> <p><b>mount Pleasant Ave (\$28,900)</b> - (PAN 06148725)</p> <p><b>Edgehill Row (\$27,900)</b> - (PAN 01707540)</p> <p><b>Greendale Cr (\$26,100)</b> - Wooded area in centre of block - Potential for development (PAN 03548162)</p> <p><b>Silver Falls Park / Mark Dr (\$25,100)</b> - Public Park (PAN 04584632)</p>	One-time sale
Saint John Water	7	\$551,400	<p><b>66 Gaelic Drive (\$296,800)</b> - (PAN 06459817)</p> <p><b>Route 820 (\$60,600)</b> - (PAN 03815894)</p> <p><b>Sands Road (\$55,900)</b> - (PAN 03815860)</p> <p><b>Route 820 (\$51,500)</b> - (PAN 06564523)</p> <p><b>Route 820 (\$33,700)</b> - (PAN 03832773)</p> <p><b>Off Golden Grove Road (\$26,600)</b> - (PAN 03815852)</p> <p><b>Route 820 (\$26,300)</b> - (PAN 06564565)</p> <p>Recommend consulting with Saint John Water to determine utilization of land and potential opportunities.</p> <p>There are many Saint John Water properties used to protect the east and west watersheds. Given there has been new water utility infrastructure installed in Saint John, the City believes the watersheds may not need to be protected any longer, therefore, there are potential development opportunities or sale of land opportunities with Saint John Water.</p>	One-time sale
Saint John Parking	2	\$247,000	<p><b>Smythe Street (\$219,800)</b> - (PAN 01658929)</p> <p><b>Station Street (\$27,200)</b> - The City purchased this from CN Rail in 2014. (PAN 06388943)</p>	One-time sale
Roads	3	\$181,800	<p><b>188 Lancaster Ave (\$115,500)</b> - Large, empty lot next to Canadian Union of Public Employees (PAN 01700661)</p> <p><b>660 Sand Cove Road (\$38,700)</b> - For future Intersection reconfiguration (PAN 05230171)</p> <p><b>46 Station Street (\$27,600)</b> - (PAN 04729355)</p>	One-time sale
LPP	3	\$76,500	<p><b>Leeward Lane (\$26,500)</b> - (PAN 05323916)</p> <p><b>Gault Road (\$25,000)</b> - Opportunity to be used for well &amp; engineered septic for a single family (988 ft^2) (PAN 01720506)</p> <p><b>Kennebecasis Drive (\$25,000)</b> - (PAN 03884097)</p>	One-time sale
Real Estate	1	\$60,000	<b>Beaverbrook Ave (\$60,000)</b> - (PAN 06297663)	One-time sale
N/A	1	\$41,400	<b>Mispec Beach (\$41,400)</b> - Mispec Beach used to belong to the county of Saint John, when this was dissolved, it was given to the City. Potential to sell this as it is outside the City. (PAN - 01602847)	One-time sale
Surplus	1	\$44,700	<b>MacLaren Blvd (\$44,700)</b> - (PAN 04141272)	One-time sale
Impaired	1	\$33,300	<b>154 Germain Street West (\$33,300)</b> - (PAN 01617321)	One-time sale
Total	48	\$2,853,500		
Total Opportunity Value	32	\$1,875,400	This total excludes the "Assumed No Opportunity" vacant lands	

## Lands opportunities (2/2)

Appendix D-2 Land Opportunities Previously Presented to Council

Description	Land Value (2019 Assessment)	Opportunity	Occurrence
The Wall Princess St. and Canterbury St.	\$140,000	<p>The Wall (PID 8979) is a commercial parking lot on the corner of Princess St and Canterbury St in uptown Saint John. An RFP for potential development of the lot closed in May 2017, receiving no proposals.</p> <p>Since this time, there has been interest from the developers of "The Telegraph", a residential building currently under construction. The Union Club, owned by Irving, is also interested in the lot for parking purposes.</p> <p>EY recommends and EOI process be released to gauge the current interest in the property.</p>	One-time sale
The Sugar Lands 330 Charlotte St.	\$1,000,000	<p>The Sugar Lands is adjacent to the Port site and is broken into two sections. Section A is a Landlocked Commercial Land worth \$700,000 (PAN 055071005) and Section B is a Paved Parking Lot/Snow Dump worth \$300,000 (PID 55147482).</p> <p>There has been interest shown from the Port to purchase this land from the City. Currently, the Port's land in the area is not big enough for laydown space for offshore wind turbines, which they plan to begin investing in.</p> <p>One constraint to working on a deal with the Port, is the City has a land-use plan in place, where this land is planned to eventually become recreation space. There is an opportunity to lease the space to the Port with specifications of what they can do with the land, as to not take away from future recreation space potential (ex: limit contamination)</p> <p>There may also be an opportunity to use Section B as a paid parking lot.</p>	One-time sale
Tucker Park Kennebecasis Drive	\$39,400	<p>Tucker Park (PID 446633) is an area of parkland with a beach that was gifted to the City. Though this was gifted, there are not as many restrictions as other City "gifts" such as the Lord Beaverbrook Rink. Tucker Park does not have formal restrictions within its deed that states it cannot be developed.</p> <p>As this area is under-utilized and is a waterfront property in Millidgeville, the City should consider options to develop the land. There has been push-back from the public in the past, but from EY's understanding, it was only a select few amount of people.</p> <p>Note: The property next to Tucker Park with roughly the same land mass is assessed at \$1,743,700.</p>	One-time sale
Harrigan Lake Sandy Point Road	\$24,300	<p>Harrigan Lake (PID 418129) is a cleared area just north of the Rockwood Golf Course. It is currently zoned as a "Park", though it does not fall within the boundaries of Rockwood Park. The last time this area was presented to Council to be rezoned as an area that could be developed, the Friends of Rockwood Park group pushed back heavily, which resulted in Council rejecting the proposition.</p> <p>This area has already been cleared when it was used as a laydown space when millions of dollars of utility infrastructure was installed on Sandy Point Road. These utilities were installed to support development in this area. There are now tie-ins for water and sanitary sewer to Harrigan Lake as well as a reserve easement for existing storm sewer onsite.</p> <p>EY recommends this area be reconsidered for development and the "Park" designation be reviewed. Other lands in this area have similar potential and constraints including Green View Acres and the Trail Head. Details on these areas are below.</p> <p>Note: The property next to Harrigan Lake with less land mass is assessed at \$356,700. Both properties adjacent to the Harrigan Lake property have houses on them, therefore, development has not been a constraint in the past.</p>	One-time sale
Green View Acres Sandy Point Road	\$25,000	<p>Green View Acres (PIDs 55196380, 55059034, 55059026) is a property lining the western edge of the Rockwood Golf Course. This property has similar constraints as Harrigan Lake.</p> <p>EY recommends this area be reconsidered for development and the "Park" designation be reviewed.</p>	One-time sale
The Trail Head Sandy Point Road	\$50,000	<p>There may also be an opportunity to partner with the leaseholders of the golf course for this land and discuss possible development opportunities. In other jurisdictions, residential properties lining golf courses sometimes have deals associated with the course. EY recommends the City look into this opportunity further.</p> <p>The Trail Head (PID N/A - vested as public street) is a property in a residential neighbourhood on the corner of Sandy Point Road and Foster Thurston. This property has similar constraints as Harrigan Lake.</p>	One-time sale
The 17th Opportunity Sandy Point Road at Tucker Park Road	\$52,400	<p>EY recommends this area be reconsidered for development and the "Park" designation be reviewed.</p> <p>The 17th Opportunity (PID 55020770, 55059018, 55059158) is a forested area between Rockwood Golf Course and the Rockwood Golf Course Aquatic Driving Range. Though this land has a "Park" designation, it is not an issue with the public for development.</p> <p>In coordination with the City of Saint John, EY has identified two potential opportunities for this land. The first includes extending discussing with the leaseholders of the golf course to determine their interest in further development. The second is to coordinate with the Regional Hospital and determine if out-patient housing is an option to be developed in this area.</p>	One-time sale
Rainbow Park Sydney St and Broad St	\$65,500	<p>Rainbow Park (PIDs 885, 893, 919, 927, 901, 2212, 794, 802, and 810) in a large parking lot with potential for development.</p> <p>The City of Saint John has indicated this land is set aside for other uses and opportunities are being explored already.</p>	One-time sale
The Falls View 450 Falls View Dr	\$474,000	<p>The Falls View (PIDs 55217657, 55217665) is land adjacent to the Reversing Falls Restaurant. Currently, the 14 1/2 Restaurant is the leaseholder on this land, having an overholding lease that expired a year ago.</p> <p>The owner of the 14 1/2 has shown interest in the land, therefore, EY recommends the City consider the sale.</p>	One-time sale
Total Opportunity Value	\$1,870,600		



# Appendix E: Procurement



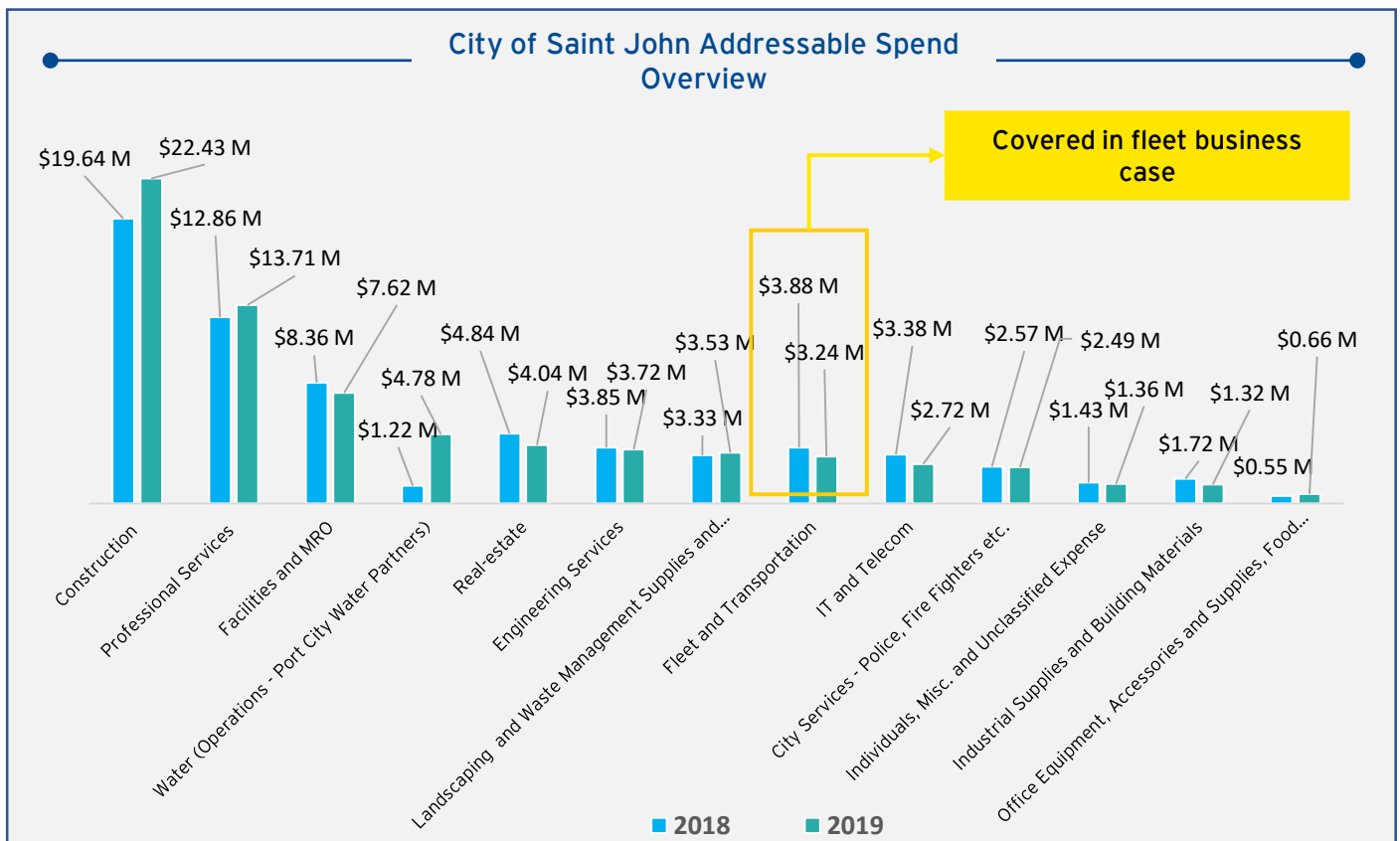
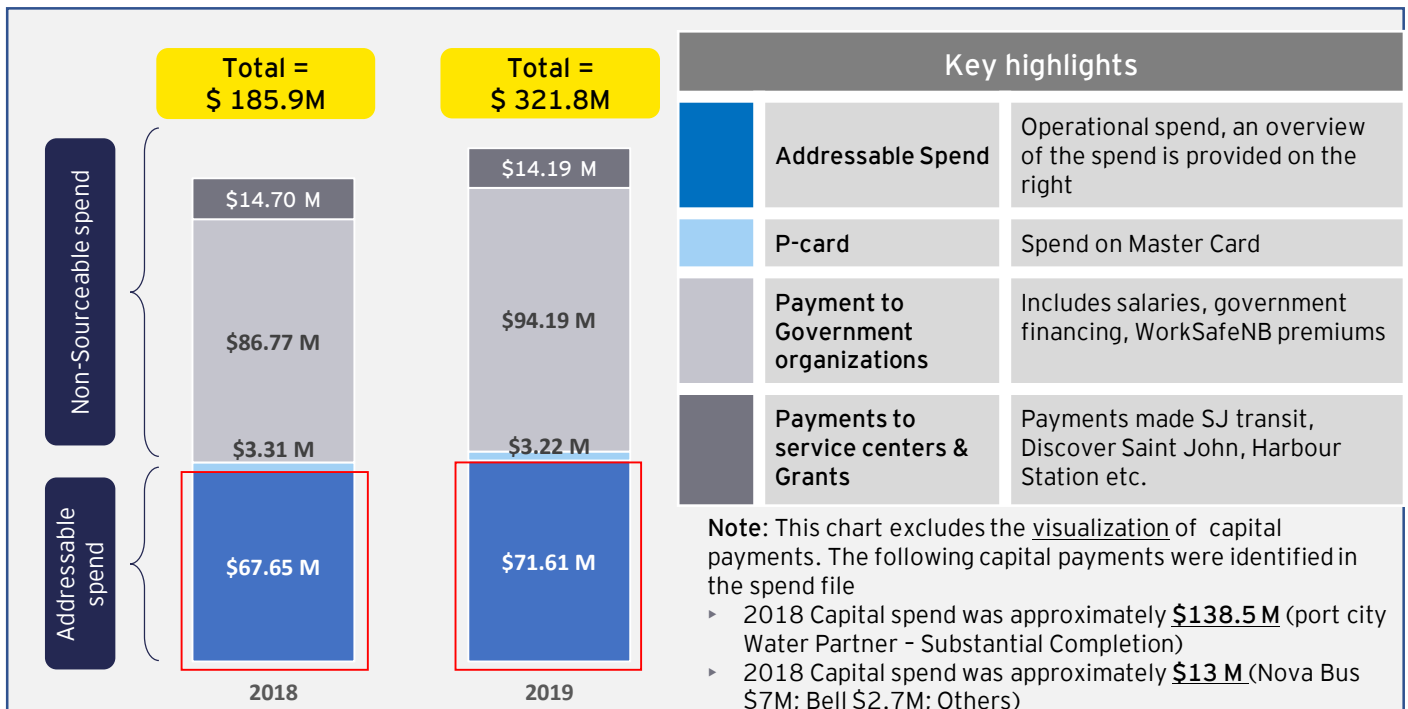
## Procurement data

The assessment for procurement is based on materials provided to EY by the City of Saint John. A high-level spend analysis was conducted considering the supplier names to develop the business case. EY recommends conducting a detailed spend and contract management analysis.

	2018		2019		Key Comments
Total Spend	\$185.91 M		\$321.88 M		
Capital Payments	\$13.49 M	7% of total spend	\$138.60 M	43% of total spend	2019 spend included payments to Port City Water Partners for substantial completion
Payments to Service centers, Grants and Charities	\$14.70 M	8% of total spend	\$14.19 M	4% of total spend	Spend includes payments made to Saint John Transit Commission, Discover Saint John, Aquatic Centre, etc.
Payment to Government organizations	\$86.77 M	47% of total spend	\$94.19 M	29% of total spend	Spend includes payments made to N.B. Municipal Finance Corp, Salaries, CoSJ Shared Risk Plan, WorkSafeNB, etc.
P-card spend	\$3.31 M	2% of total spend	\$3.22 M	1% of total spend	Spend with multiple vendors
Subtotal	\$67.65 M	36% of total spend	\$71.61 M	22% of total spend	Addressable Spend which includes Fleet
Addressable Spend excluding Fleet	\$63.77 M		\$68.37 M		<ul style="list-style-type: none"> <li>Spend excludes Fleet</li> <li>Spend increased by 7%</li> <li>Spend on Purchase Orders (POs) is approximately 50% (2018) and 54% (2019)</li> <li>801 vendors (2018); 794 vendors (2019)</li> </ul>



## Spend overview



### Note

Total addressable spend for procurement workstream excludes fleet, as it is covered in a separate business case, i.e., 2019 addressable spend: \$71.61M - \$3.24M = \$68.37

# Appendix F: Labour relations





## Binding arbitration

### Current state

Under the New Brunswick Industrial Relations Act, firefighters and police officers cannot go on strike and instead, binding arbitration is used when collective bargaining is unsuccessful. Three unintended consequences have resulted in respect of the binding arbitration process.

1. Existing legislation in New Brunswick does not currently consider municipalities' ability to pay as part of the binding arbitration process. A provincial initiative is underway to amend the legislation to consider municipalities' ability to pay as part of the negotiation process. Risks and caution must be exercised when including the criteria in this legislation to ensure clarity around how ability-to-pay will be determined.
  2. Over the past 15 years, police and firefighters have received a cumulative pay raise of ~70%. During that same period, CPI has increased by 27.5% and the city's ability to pay these increases has been compromised significantly by the reduction in tax base as well as the pension plan liability.
  3. Cost of benefits has increased in correlation to wage increases and the cost of special pensions has also risen. All contribute to the destabilized sustainability of the City over the next 10 years.
- *Note that binding arbitration is not a process under the collective agreement for outside workers. Instead, conciliation efforts are undertaken prior to strike/lock out or work stoppage.*

### Recommendation:

- It is recommended that the City fully document its recommended criteria which the legislation should include to assess ability-to-pay and work collaboratively with the province to co-develop and implement changes.
- Given the active nature of negotiations at present and the in-progress legislative process around ability-to-pay, the City should consider entering into a shorter-term agreement, if needed, to avoid the ability-to-pay clause not being enacted prior to the close of collective bargaining. The risk to be avoided is being in an arbitration process before the ability-to-pay clause is formalized legally.





## Labour relations landscape

### Current state

As noted earlier, there is a strong value attributed to the workers of all four of the City of Saint John's unions and there is generally a view that there is a positive relationship with the unions; however, the city's current financial challenges draw a very compelling case for change since the financial landscape has significantly degraded.

### Some key highlights were shared in respect to recent improvements:

- ▶ Non-union staff have received labour relations training to improve their understanding of the labour environment.
- ▶ City management has focused, consistent performance management processes as well as disciplinary approaches.
- ▶ The City is interacting, learning and sharing learnings and approach with and from other municipalities to improve insight and understanding in how other municipalities' agreements are different and how they are working collaboratively with their unions.
- ▶ There is also a great effort in coordinating efforts with all boards/commissions.
- ▶ In addition to the above, a focus on business continuity planning has been established to ensure protection in the event of work disruption.

### Recommendation:

- ▶ To further enhance the understanding of the labour landscape, we recommend the City fully examine the landscape, considering both a SWOT and a PEST (political, economic, socio-cultural and technological) analysis to support each set of negotiations. It is important that the negotiating team have a full understanding of the landscape and avoid the temptation to presume awareness.



## Labour relations negotiation approach

### Current state

Historically, a cohesive, long-term, strategic approach to collective agreement negotiations has not been observed. Instead, management focused on short-term goals in each round of negotiation.

- ▶ There is desire/action taken by management to develop a comprehensive labour relations strategy that encompasses the plan, principles and roadmap for all collective agreements, aligning towards long-term sustainability for the City as well as transparency for citizens.

### Recommendation:

Develop a comprehensive labour relations strategy including the following elements:

- ▶ Identify all constraining and limiting, or risk inherent articles in the collective agreements.
- ▶ There is also a space included that should be used to perform a risk and impact ranking/scoring.
- ▶ Fully cost out all constraints identified with finance and service areas.
- ▶ Strengthen stakeholder engagement across all stakeholders, including union representatives/members.
- ▶ Improve transparency with stakeholders and the public.
- ▶ Align labour relations objectives with service levels and talent/skill requirements and multi-year resource plans.
- ▶ Improve work culture.
- ▶ Ensure sustainability/affordability alignment.
- ▶ Align staffing model with city service levels/needs.
- ▶ Integrate strategy with all city affiliates/commissions (including SJ Police and Transit).
- ▶ Improve performance management model to reward top performers.
- ▶ Include a clear roadmap with phased approaches for each round of negotiations as well as opportunities where business continuity efforts will be required if negotiations are unsuccessful. It is important that the City take exceptional measures to protect the future of the city's services and doing so may result in strike/lockout measures.

The purpose and primary goal is to achieve a labour model that enables long-term sustainability of the city's financial capacity, while maximizing services and service levels to the community at the best possible cost.

Additionally, it is essential that the negotiating team conduct a comprehensive review of wages in other jurisdictions outside the province to compare its ability to pay, including per capita costs of all services and benchmarks as comparison. Using local jurisdictions for comparison exclusively is not adequate. The common counter argument is that protective services were significantly underpaid for an extended period of time and needed to catch up; however, this argument is no longer relevant.



## Strengthen the labour relations team

### Current state

Management has engineered a diverse, mature team to lead negotiation efforts; however, it is known that for some union negotiations, e.g., IAFF, the union will deploy a consistent resource that understands the depth of the challenges and risks across the country, which enables strong knowledge leading into negotiation efforts. Engaging a labour relations advisor who can provide provincial strength/advice to all municipal negotiating teams is strongly recommended.

### Recommendation:

- ▶ The City would benefit from strengthening the negotiating team in some areas. It is recommended that an independent evaluation of the negotiating teams are conducted to critically assess and understand skill gaps. Commonly, labour negotiating teams self-assess team members' competencies higher than they actually are. This is a common pitfall, often damaging the strength of the negotiations. A very strong manager who is extremely competent in their work will not necessarily have the skills to respond in a distressing, negotiating environment. Performing this assessment will enable gap closure and build bench strength and transfer critical knowledge or enhance negotiating strategies. Other common pitfalls include lack of financial expertise; for example, an experienced financial person who can translate the proposal terms into financial impact quickly to determine the viability of the proposal. Secondly, a strong requirement is to have decision makers with autonomy, who are empowered to make timely and advantageous decisions on the spot. We believe that the City has most of these characteristics but that a fulsome review should be undertaken to bolster the team during this critical time.
- ▶ EY also strongly advises the City to include a labour lawyer on its negotiating team. Different lawyers encompass different skillsets and experience with police, fire, and outside/inside workers; the experience of negotiating resources should be considered. The reason some union negotiations have been so successful historically is because of their continuous use of very experienced labour lawyers who have a comprehensive understanding of the service area as well as the pitfalls and tactics. It must be stressed that strong union negotiations are highly political in nature. The regimes of binding arbitration vs. lockout are very different and the City should consider finding the very best resource for the particular engagement.
- ▶ Additionally, the Human Resources team should inventory and pull together significant arbitration decisions that have impacted collective agreements not only in New Brunswick but in multiple jurisdictions to support the team. It is clear that the black letter of the collective agreement is not always the best determinate of how the agreement is applied and practices also matter. Long-term actions of management/the union, as well as any decisions, should be fully considered to understand the terms and practices of the collective agreement.



## Special Mention to alarming articles held within the collective agreements

- ▶ Article 6 in the Local 18, outside workers, collective agreement references a minimum labour number of 293, less 5% with a no lay-off article. This particular term is not typical language seen in collective agreements of this nature and was negotiated more than 30 years ago. It is significantly constraining the City from managing the City's work flow effectively; for example, there may be a need for more workers in the summer and a smaller workforce during the winter months. The City cannot work with the ebbs and flows of business/service needs under these constraints.
- ▶ Article 3, Constant Manning, in the Fire Services collective agreement, is also a constraining article as it is not always necessary or logical depending on the type of response or the personnel already on the scene. The number of expected manning staff is atypical for this article.
- ▶ Currently, Local 18 has foreman/supervisory positions as part of the collective bargaining unit. This is very difficult as it is contributing to a protectionist culture. The culture is currently quite rigid, and this configuration of supervisory/staff is not allowing true transparency/efficiencies across the teams and workforce. This configuration is not seen in the City of Fredericton's collective agreement. Management can negotiate to have these members removed from the bargaining unit. Barring successful negotiation, management can also apply to the labour board to have members excluded from bargaining; however, negotiating removal is likely more probable.
- ▶ Local 486 has restrictive articles specifically in relation to contracting out/lay-off procedures. Dismissal article 14.02 means it would be problematic for the City to dismiss an underperforming employee since the only reason for dismissal is just cause. Performance management article 11.07 is focused on the workplace environment rather than performance, which could impact true performance assessment and dismissal linkages.
- ▶ Long-service awards articles are increasingly under attack by management/tax payers as gratuitous payments. Long-serving employees receive other benefits such as seniority, increased pension benefits, prime choice of vacation time, etc. This area should be part of the negotiating targets.
- ▶ Sick time banks are problematic and can accumulate significant accruals and potential payouts/abuse behaviour. Hard caps could be placed on the number of hours that can be accrued in a period or overall.
- ▶ It is anticipated that the recruitment of younger generations who are seeking more flexible work environments and an expectation of promotion primarily on performance, not seniority, will disrupt the viability of these agreements. This disruptor will take some time to adjust in this current environment.



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# 2019 ANNUAL WORKFORCE REPORT

## MARCH 2020



CITY OF SAINT JOHN | HUMAN RESOURCES  
*Grow the City. Serve the City. Become the community of choice.*

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# SECTION 1: INTRODUCTION

This is the first edition of the Annual Workforce Report for the City of Saint John. The Report profiles the labour/employment contribution to municipal services along with associated costs, congruent with our goal to be a citizen-focused, accountable and transparent municipal government.

City services are delivered by a number of work groups, namely: inside workers, outside workers, firefighters, and management/professional/non-union staff, totalling 628 employees. In addition, there are a number of agencies, boards and commissions that are closely tied to the City. Available and applicable data and information related to the Saint John Police Commission, Saint John Transit Commission and Saint John Parking Commission has been included in this Report.

The City of Saint John workforce provides a wide range of services to more than 67,000 residents on a daily basis, as well as a large number of visitors and work commuters. As Canada's oldest incorporated city, our boundaries cover approximately 315 Kms<sup>2</sup> of urban, suburban, and rural neighbourhoods. Residents of the City enjoy rich and diverse neighbourhoods and lifestyle choices that suit most cultural or personal preferences. We are known as a city on the water, with more coastline than any other New Brunswick municipality. Our central business district (known as "uptown Saint John"), as well as many of our residential neighbourhoods, are uniquely situated along the world famous Bay of Fundy and enjoy some of the most picturesque views Eastern Canada has to offer. Our residents enjoy over 110 kms of coastline along the Bay of Fundy and over 70 kms of waterfront along the St. John River.

Saint John was founded as a port city, and remains very active in this industry today, with the third-largest tonnage of any port in Canada. We also have a well-developed base of primary extraction and secondary manufacturing industries, all of which employ thousands of people across the Greater Saint John region.



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# INTRODUCTION

Table 1 presents a summary of metrics examined in more detail within the body of the Report. Generally, the City's workforce can be characterized as stable in 2019, although a reduction of the number of permanent positions is notable. Over the past ten years, the overall establishment has been reduced by 55 positions, not including Saint John Police Force or Saint John Transit. The City expects further reductions going forward arising from normal attrition and the implementation of workforce realignment and optimization initiatives in 2020 and beyond.

Table 1

Workforce Indicators	2018	2019
Number of Permanent Employees	631	628
Average Employee Age	46	46
Average Employee Years of Service	13	15.9
Number of Grievances Filed	7	3
Number of External Hires	34	30
Number of Internal Moves	40	32
Employee Turnover Rate	6.1%	4.6%
Employee Retirements	29	20
Average Sick Days per Employee (based on 7 hour day)	9.0	10.6
Total Employee Accidents	60	51
Lost Time Accidents	33	24
Training Cost per Employee	\$830	\$770
Workforce Utilization Rate*	83%	82.6%

\*Workforce Utilization Rate explained in Section 3

## SECTION 2: HUMAN RESOURCES ADMINISTRATION

This section addresses the processes that build structure around employment including permanent approved full-time equivalents (FTEs), and employee benefits.

### THE ORGANIZATIONAL ESTABLISHMENT

The Establishment (Table 2) is the approved number of full-time permanent positions in each employee group. The Establishment is approved annually by Common Council. The actual number of employees at any time varies according to factors such as vacancies, leaves and temporary positions. Casual, temporary, contract and other forms of non-permanent complement are not included in the Establishment.

Table 2

PERMANENT EMPLOYEE ESTABLISHMENT		
Employee Group	2018	2019
Inside Workers (CUPE Local 486)	112	112
Outside Workers (CUPE Local 18)	280	278
Firefighters (IAFF 771)	144	144
Non-Union Administration	6	6
Management	58	58
Professional	31	30
<b>TOTAL CITY</b>	<b>631</b>	<b>628</b>
Saint John Transit*	86	86
Saint John Police Force*	203	203
<b>TOTAL</b>	<b>920</b>	<b>917</b>

\*The Saint John Police Force and Saint John Transit totals include management, civilian and unionized staff.

Note that Saint John Transit and the Saint John Police Force are included to allow for comparison to other municipalities. Each region varies in the delivery of services, for example, municipal police vs. RCMP and/or other external agencies. The City of Saint John establishment includes Saint John Water employees.

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## HUMAN RESOURCES ADMINISTRATION

### GROUP HEALTH BENEFITS

The City of Saint John has an Administrative Services Only (ASO) Group Benefits Plan. The Plan is governed by a joint Management/Union committee and has been in an excellent financial position for the past number of years with a surplus of approximately \$1 million dollars as of January 1, 2019. However, increasing health costs, primarily for prescription drugs, have exceeded the total contributions in the past two years (Table 3). The Benefits Steering Committee will address these shortfalls to ensure the Plan remains stable.

Plan members are the cardholder for the Group Benefits. Plan members have the option to select a single or family plan, and total numbers below do not include dependants. The full monthly cost for the single rate is \$163.28 and \$271.30 for family. These premiums are cost-shared 75%/25% by the employer and employee; retirees are responsible for 100% of the premium. Retirees have the option upon retirement to remain a member of the plan. Plan premiums have remained unchanged since December 2010. Membership in the plan is mandatory for all permanent employees.

Table 3

Benefit*	2018	2019
Total Cost	\$4,601,217	\$4,760,241
Total Contributions	\$4,267,138	\$4,298,314
Total Active Members	993	1003
Total Pension Members	629	627
Total Cardholder Members	1622	1630
Average Cost/ Member	\$2,836	\$2,920

\*Saint John Police Force members are included in the City of Saint John Group Benefits, and are, therefore, represented in these figures.



## SECTION 3: WORKFORCE PLANNING

This section profiles the City's dynamics of workforce demographics, turnover, and utilization, which influence the effectiveness of the "human dimension" of the workforce. Table 4 depicts the ratio of residents served by a single municipal employee for the three largest municipalities in New Brunswick. The total FTE for Saint John includes all City employees, Saint John Police Force and Saint John Transit combined. Moncton has policing services through the RCMP and, therefore, does not include numbers for police in their FTE. For comparison purposes, the Codiac RCMP Division that serves Moncton would add approximately 226 personnel to the Moncton establishment and would adjust their employee ratio to 1:82.

Saint John's ratio (1:74) is reflective of the large land area serviced, an area larger than both Fredericton and Moncton combined. The population density is a significant stress on Saint John's resource requirements as basic services such as snow clearing, street maintenance and repair, water infrastructure requirements, and transit services must reflect the spread of population across the entire city.

Table 4

2016 CENSUS DATA: STATS CANADA			
Municipality	Saint John	Fredericton	Moncton
Population	67,575	58,220	71,889
Land Area (sq. Km)	315.96	132.57	141.92
Population Density (per sq. Km)	213.9	439.2	506.5
2019 FTE	917	699.54	655
Employee Ratio /population	74	83	110

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# WORKFORCE PLANNING

## DEMOGRAPHICS BY EMPLOYEE GROUPS (DECEMBER 31, 2019)

Table 5 demonstrates that all of the City's employee groups are essentially the same average age, (i.e. mid-life), and that our employees are mid-career in terms of length of service.

Table 5

Employee Group	Male	Female	Average Age	Average Years of Service
Inside Workers	44	62	45.8	14.7
Outside Workers	268	3	46.0	14.8
Firefighters	141	3	46.0	19.6
Non-Union	0	6	45.6	10.3
Management/ Professional	58	27	47.4	15.1
City of Saint John	511	102	46.2	15.9

Furthermore, the City of Saint John has a female to male ratio of 1:5 for the overall employee base. The management/professional group, including non-union, alone has a ratio at nearly 36% females. This is in line with Statistics Canada data, which reports that 35% of those in management occupations are female.

## WORKFORCE RETIREMENT ELIGIBILITY: NEXT 5 YEARS

A projection of the number of employees who will have reached retirement age by the end of each of the next three years is illustrated in Table 6. Eligibility to retire is based on the attainment of age 65 for all employees, except protective services, which includes fire, police and management in these areas, who may retire at age 60. While mandatory retirement at age 65 no longer applies, the data suggests a potential acceleration of turnover beginning in 2021 and continuing through 2022.

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# WORKFORCE PLANNING

Table 6

Employee Group	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022
Inside Workers	0	2	3	4
Outside Workers	3	6	10	14
Firefighters	7	7	10	15
Non-Union	1	1	1	1
Management/ Professional	3	4	6	7
City of Saint John	14	20	30	41

Succession planning is, therefore, essential to ensure we have the qualified, trained individuals available to fill vacancies and meet the ever-changing needs of the organization in the next 3-5 years. Resignations in specialized, technical roles accounted for over 2% of the turnover in 2018. This highlights the need for focused and strategic staffing and development to ensure we are able to attract and retain the resources needed.

## TURNOVER TRENDS

While we are suggesting that future turnover rates will likely increase, the following table illustrates that turnover within the organization is currently well controlled and clearly within established industry averages.

The voluntary permanent employee turnover rate is calculated using the total number of permanent individuals who retired or resigned divided by the average permanent employee headcount. The Municipal Benchmark Network Canada (MBNC) reported the average voluntary turnover rate at 5.68% for 2017.

## WORKFORCE PLANNING

Table 7

TURNOVER	2018	2019
Retirements	29	20
Inside Workers	7	7
Outside Workers	14	5
Firefighters	6	7
Management/Professional	2	1
Non Union	0	0
Total Resignations	10	9
Inside Workers	4	1
Outside Workers	3	3
Management/Professional	3	5
Non-Union	0	0
Total Voluntary Separation	39	29
Total Permanent Employees	641	628
Voluntary Turnover Rate	6.1%	4.6%

Turnover reduced slightly in 2019 over 2018; however, it is expected that the number of retirements will continue to remain over twenty (20) per year. This combined with multiple resignations creates a constant need for recruitment and selection, training new employees, temporarily filling positions while recruitment efforts are ongoing and adding increased workload to remaining employees. While efficiencies have been made in the recruitment process, reducing turnover and retaining our existing employees remains important as we strike the correct balance between experience and fresh faces within the organization.

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# WORKFORCE PLANNING

## STRATEGIC RECRUITMENT AND CAREER DEVELOPMENT

With over 50% of our staffing done through internal progression, we recognize the importance of growth opportunities and transfer of knowledge amongst service areas to continue to move the organization towards our goals and objectives. Our workforce career development systems link job advancement to the acquisition of knowledge and skills, preparing our employees for the service demands of tomorrow. At the same time, these systems also help identify competency gaps, which we address through strategic recruitment.

Table 8

HIRING ACTIVITY	2018	2019
Internal Hires/Movement	40	32
External Hires	34	30
Total Permanent Hires/Movements	74	62
% filled Internally	54%	52%
% filled Externally	46%	48%

## TOTAL HIRES BY EMPLOYEE GROUP

A summary of our staffing activity for 2019, including internal and external recruitment in both casual and permanent roles, is provided in Table 9. The need for casual staff to augment our permanent workforce is significant. In 2019 alone, the City conducted 180 hiring processes for casual or temporary positions.

Table 9

HIRING ACTIVITY	2018	2019
Inside Workers	43	48
Outside Workers	109	109
Firefighters	20	13
Non-Union	32	45
Management/Professional	16	27
Total	220	242

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## WORKFORCE PLANNING

In general, we have a good response to our job postings with an average of 96 applicants per posting in 2019. The City of Saint John is a “sought-after employer” in many roles, in particular labourer and skilled trades positions. We had an average of 137 applicants per posting for our permanent outside worker postings in 2019, and often received over 200 applicants for casual roles in this workgroup.

Our primary recruitment challenges are for more specialized management roles such as planning, IT, and finance. Candidates for these roles expect a total compensation package comparable to their private sector colleagues and for most of the specialized managerial positions, we simply cannot achieve this. Promoting and highlighting the City of Saint John total compensation package and evaluating our positions in the overall market are necessary to remain competitive.

The City is committed to offering services in both official languages; however, securing qualified bilingual staff is often a challenge. These positions are typically in front-facing roles such as customer service and administrative assistants.

We often have temporary positions to fill in for those on leave, acting in another role within the organization or for special projects to be completed. Filling these temporary positions often takes significant resources and time. The only exception is with our casual outside workforce, typically during the summer months, where we often have a large pool to select from and a well-established routine for hiring. Although we have an adequate response to our casual or temporary postings, these represent the majority of our staffing requisitions, each taking, on average, 45 days to fill.

### **EMPLOYEE TRAINING AND DEVELOPMENT**

Employees are provided with various training opportunities ranging from specialized safety courses and programs to French language training and supervisory and leadership courses. In 2018, the City of Saint John partnered with settlement agencies to provide Cultural Competency Training to nearly 90% of the workforce as part of the City’s Population Growth Action Plan. The launch of an online training platform has provided an excellent alternative to classroom learning, allowing employees to receive the necessary training on their own

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## WORKFORCE PLANNING

schedule. This is reflected in the significant decrease in costs from 2018 to 2019, primarily due to fewer travel-related costs. We will be implementing a new Travel Policy for City employees and a Training and Development Policy in 2020.

Table 10

	2018	2019
Total Cost of Training*	\$531,175	\$482,643
Corporate Training Completions	834	1,464
External Training Completions	829	1,162
Total Permanent Employees	631	628
Cost of Training per Employee	\$830	\$769

\*The total cost of training includes all related travel, conference fees, membership association fees and training costs.

The City of Saint John is on the low end for investment in learning and development spending with \$769 per employee in 2019, which includes related travel costs not typically included in the metric. When travel costs are removed, the average per employee drops to \$579. The Conference Board of Canada reports the average learning and development cost per employee was \$889 in 2017. Notably, the number of training completions for City employees increased significantly in 2019 due to new internal course offerings and required training for all employees through the online platform.

In addition to an ongoing emphasis on supporting career development systems as previously discussed, our training and development efforts will be centered upon leveraging staff expertise through mentoring, coaching and guided experiential learning programs. Expanded use of existing online training software to develop and deliver internal training will result in greater relevance, flexibility and reach in program delivery.

An employee engagement survey conducted in September 2019 highlighted employee training and development as an area in need of improvement from our employees' perspective. Generally, employees do not feel they have opportunities for training and development or



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# WORKFORCE PLANNING

the ability to achieve their career aspirations with only six in ten responding favourably. A focus for 2020 will be to integrate individual development plans, particularly for employees requiring training to maintain professional designations and leverage opportunities for personal growth and increased partnerships internally.

## WORKFORCE UTILIZATION RATE

At a strategic level, the impact of health, safety and wellness programming on overall workforce efficiency and effectiveness is represented by the Workforce Utilization Rate (WUR). The WUR is calculated by dividing the total amount of the various types of non-productive time, such as vacation time, paid sick leave, training, etc. to the total hours paid. The WUR provides the true amount of time employees are on the job, performing the duties of their respective roles, as compared to the total time paid.

While every industry is different, and measurement within the service sector can be challenging, a WUR of 85% is considered optimal in many cases. Since this is the first use of this measure at the City, we will initially benchmark internally, and expand to external benchmarks once comparators within the municipal public sector in the Maritimes become available.

Table 11

WORKFORCE UTILIZATION RATE		
Employee Group	2018	2019
Inside Workers	81.2%	82.3%
Outside Workers	82.4%	82.1%
Firefighters	84.9%	83.8%
Non-Union	86.6%	85.9%
Management/Professional	83.6%	82.0%
City of Saint John	83.0%	82.6%

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# WORKFORCE PLANNING

## **EMPLOYEE ENGAGEMENT SURVEY**

Our most important workforce planning initiative of 2019 was the employee engagement survey. This project created a variety of key leading indicators of workforce performance around morale, culture, and attitude as well as benchmarking against public and private sector organizations. The information yielded will serve as the basis of future program development and primary actions detailed in the 2020 work plan. The results of this initiative are reflected in the recommendations section of this report.

The City of Saint John conducted the employee engagement survey through Narrative Research in the fall of 2019. Over a period of approximately one month, 56% of eligible employees responded. The results of the survey have been analyzed and benchmarked to assess which areas we should focus on for improvement. Narrative Research summarized the results in nine major categories for the organization as a whole, and each service area separately.

Overall, Narrative Research determines an “Employee Engagement Index” as shown in Chart 1. The City of Saint John had results higher than the database average with an employee engagement score of 77 over the average of 74. While we are pleased with these results, we will aim to increase this metric in future surveys.

Over eight in ten of the respondents said they have a high level of commitment to the City. Employees also reported being passionate about working for the City of Saint John and looking forward to coming to work each day. This high level of commitment and pride are shown in the level of service provided by our dedicated employees.

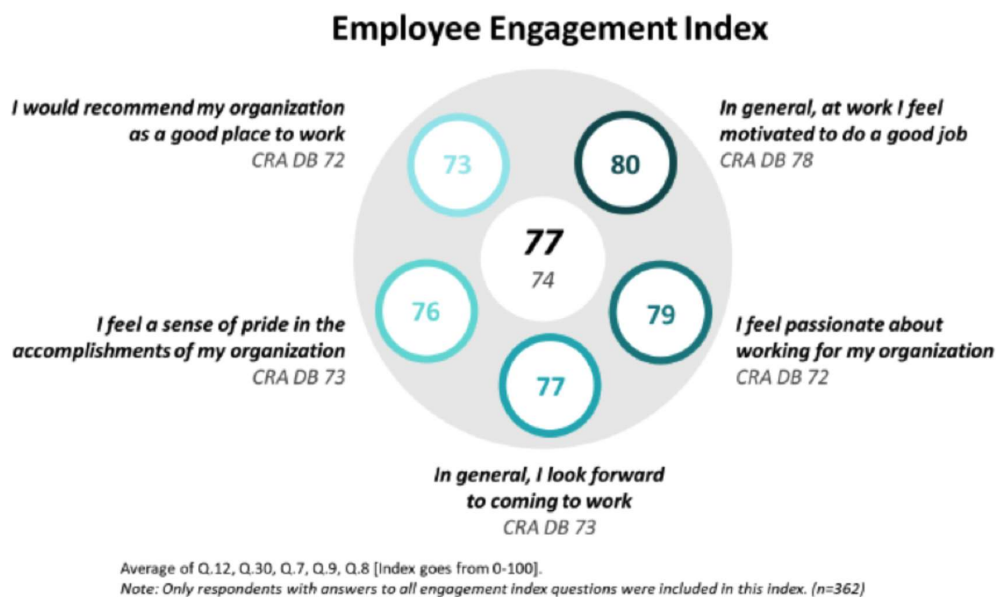
As previously discussed, employee training and development are areas in need of attention in the coming year. Although there was a significant increase in the availability of training in 2019, the majority of respondents felt that they do not have access to opportunities to develop their careers. This combined with less than 70% feel that they have an opportunity daily to do what they do best demonstrates the need to improve our succession planning and development opportunities organization-wide.

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# WORKFORCE PLANNING

Another key focus in 2020 will be on communication, feedback and recognition. The majority responded that they do not feel they are recognized for their achievements nor have the opportunity to provide input to decisions that will affect their job. While the organization is going through some significant changes including ensuring a path of sustainability for the future, it is essential that our employees are kept informed and have multiple avenues for communication and feedback through the process.

Chart 1





## SECTION 4: EMPLOYEE HEALTH, SAFETY AND WELLNESS

Section 4 focuses on people rather than structure, on the employees who deliver service to the community, and on the overall health and well-being of the workforce. Properly considered, the metrics related to absenteeism in all of its forms, including sick leave and injury of duty (workplace accidents), are lagging indicators of workforce performance, essentially demonstrating that something is wrong, but of limited use in the development of solutions. Nevertheless, these measures help illustrate the problem and provide opportunities for benchmarking. Going forward, our intent is to build a suite of leading indicators in the area of health, safety and wellness to strengthen programming and prevention. The Corporate Safety Scorecard in Charts 2 & 3 is one such example.

Some 2019 initiatives included conducting a workplace violence risk assessment; strengthening our safety standards through policy and procedure development; and enhancing our efforts in employee safety awareness.

### **CORPORATE SAFETY SCORECARD**

Key leading indicators of safety performance, derived from the City's 5\*22 Safety Management System, are summarized in the Corporate Scorecard (Chart 2 & 3). WorkSafe NB advises that organizations that consistently carry out these safe work activities generally experience fewer accidents and lower costs over time. Examples include activities such as management and supervisor job site visits, safety talks, workplace inspections, and incident investigations. The effectiveness rating (Chart 2) reflects the number of activities completed as compared to the established standards in the safety management system.

Further, the City's due diligence posture is protected by the system since each of the indicated activities is now legislatively required given amendments to the New Brunswick Occupational Health and Safety Act (NBOHSA) in 2014.

# EMPLOYEE HEALTH, SAFETY AND WELLNESS

Chart 2

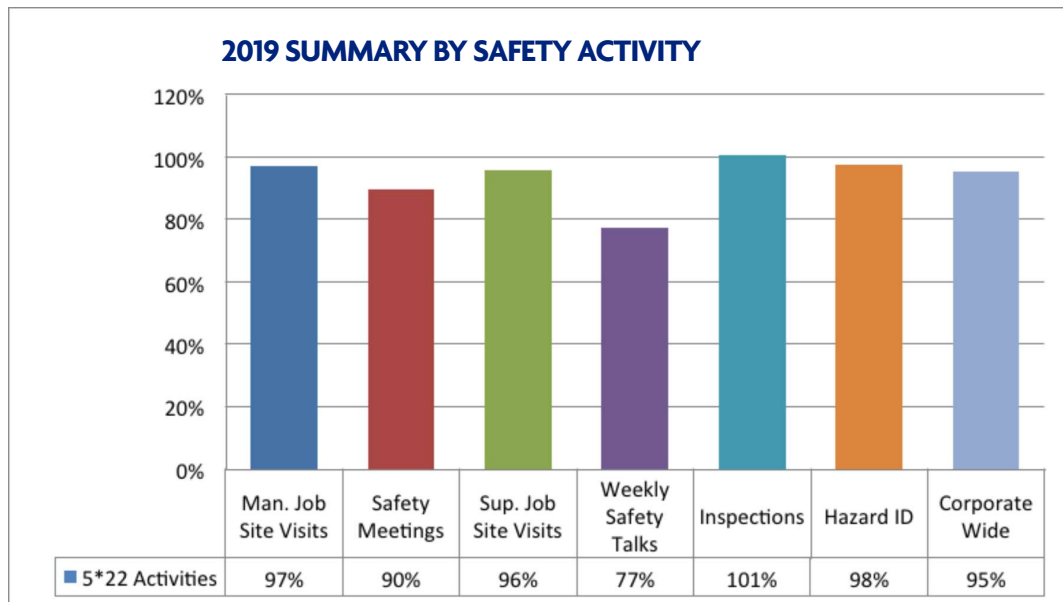
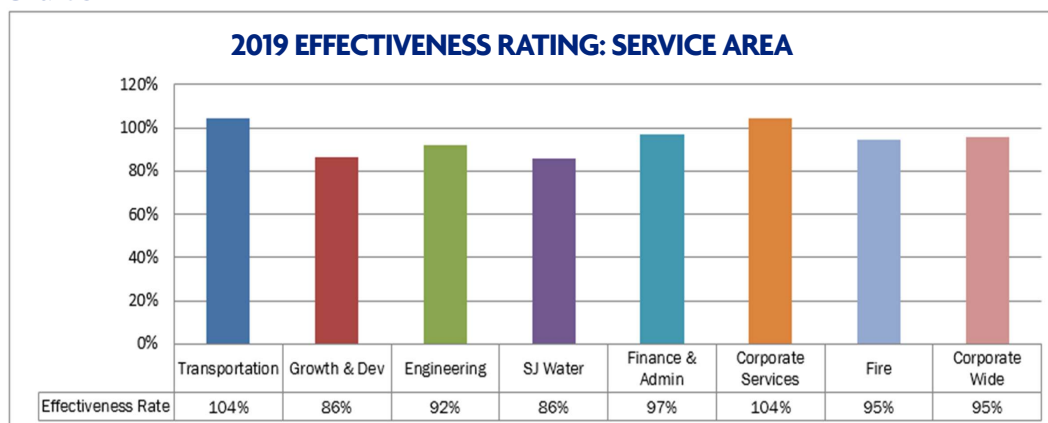


Chart 3



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# EMPLOYEE HEALTH, SAFETY AND WELLNESS

## ATTENDANCE AND ABSENTEEISM

The Average Number of Sick Days table includes each employee group and is based on typical daily working hours for the group, as indicated in brackets. The average number of sick days per employee includes both permanent and casual employees. Our corporate average days lost due to sick leave is consistent with benchmarking from sources such as Statistics Canada that reported an average of 10 days lost due to illness per employee for the Atlantic Canada region in 2019. When compared against Public Administration, Statistics Canada reported an average of 14.5 sick days in 2019. While our recent experience is below this average, it is undesirable. Given the severe effects of sick time on productivity, customer service, employee morale, and safety, health, wellness and attendance management is among our key areas of focus for 2020.

Table 12

AVERAGE NUMBER OF SICK DAYS		
Employee Group	2018	2019
Inside Workers (7)	10.4	9.6
Outside Workers (8)	9.3	10.5
Firefighters (12)	5.0	7.4
Non-Union (7)	1.6	3.6
Management/Professional (7)	2.7	4.4
City of Saint John (7)	9.0	10.6

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# EMPLOYEE HEALTH, SAFETY AND WELLNESS

## INJURY ON DUTY

Tables 13 and 14 profile the impact of Injury on Duty (workplace accidents). While our employees have historically suffered fewer lost-time accidents than those of other New Brunswick municipalities, the costs of the City's lost time accidents have increased dramatically over the last three years, resulting in an unfavourable premium rate for each of those years. The increasing costs are primarily related to extended recovery periods and related wage replacement costs. Prevention efforts and remediation (case management) are critical to reversing the recent trend of cost escalation in this area.

Table 13

Incident Type	2018	2019
Lost time: absence from the workplace following a work-related injury or illness	33	24
No lost time: a Workers Compensation claim was filed but did not result in lost time at work	27	27
Total	60	51

Table 14

WORKSAFE NB COST OF CLAIMS		
Workers Compensation	2018	2019
Annual Cost of Claims	\$260,291	\$298,960
Frequency	2.39	1.77
Days Lost	1066.07	1146.35
WorkSafe NB Rate	\$2.24	\$3.77



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# EMPLOYEE HEALTH, SAFETY AND WELLNESS

All information was provided by WorkSafe NB. The Saint John Police Force is included in the data. The City of Saint John is in the Municipal Government industry and, as such, we are 4% higher than the net rate for the group in 2019. While our number of incidents has reduced by 16%, the length of time employees are out has increased by 7%.

## EMPLOYEE WELLNESS

All permanent employees for the City of Saint John and the Saint John Police Force have access to an Employee and Family Assistance Program (EFAP) through Manulife. This benefit offers short-term counselling and assistance for a variety of issues ranging from stress and marital and family problems to referrals for financial and legal advice.

The full cost for EFAP is employer-paid based on a monthly premium per active employee. The tables below illustrate the annual cost and the utilization rates for the reported periods.

Table 15A

EFAP	August 2017 – July 2018	August 2018 – July 2019
Utilization Rate	25.6%	24.01%
Number of New Cases	223	209

Table 15B

	2018	2019
EFAP Annual Expense	\$41,901	\$54,219

The City recognizes the importance and impact that overall health and wellness has on employees both at work and at home and, therefore, supports a range of related programs. As examples, all City employees can take advantage of the variety of programs and facilities available at the Canada Games Aquatic Centre at a corporate rate; flu shot clinics are organized annually at various locations for all employees; and the City played a key role in promoting **Bell Let's Talk** in 2019 with a flag raising and a number of activities and resources provided to employees.

## SECTION 5: LABOUR RELATIONS

The City has long recognized the importance of forging respectful, mutually beneficial relationships with its employees, including its unionized workforces and the representatives: CUPE Local 18, Outside Workers; CUPE Local 486, Inside Workers; and Saint John Firefighters IAFF 771. In collaboration with the unions, we have implemented progressive methods of communication and dispute resolution, including the adoption of mutual interest processes, where appropriate. We have collaborated on a number of innovative workforce initiatives to increase the efficiency and effectiveness of service delivery, and continue to evolve to allow more flexible and responsive services. Through mutual interest processes, we address issues and concerns as they arise, as demonstrated by our success at resolving all disputes internally in the last two years.

### GRIEVANCES

Table 16

Employee Group	2018	2019
Inside Workers (CUPE Local 486)	0	0
Outside Workers (CUPE Local 18)	6	3
Firefighters (IAFF 771)	1	0
Resolved Internally	7	3
Resolved by Third Party	0	0

Collective agreements for CUPE Local 18, and IAFF 771 expired in December 2019 and negotiations are underway. All grievances filed in the past two years have been resolved internally, many of which at the first or second stage of the process. It is notable that grievances filed decreased by 57% in 2019.

## SECTION 6: SALARY & BENEFITS

The City's salary and benefits programs are among our most important tools for successfully competing in local, regional and national labour markets, to attract and retain top talent, and to provide first-rate service to our community. The City's total compensation package provides a strategic advantage that we can and should leverage more effectively. Data in Table 17 includes the Saint John Police Force.

Table 17

	2018	2019
Base Salary Budget	\$61,238,565	\$62,224,866
Total Salary with Benefits Budget*	\$89,992,427	\$91,509,934
Saint John Operating Expense	\$156,090,793	\$160,257,783
Base Salary/Operating	39.23%	38.83%
Total Salary/Operating	57.65%	57.10%

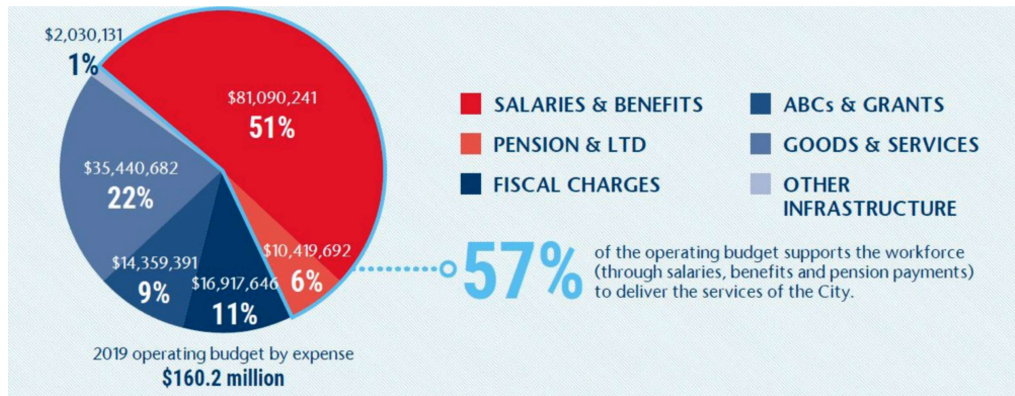
\*Total Salary includes overtime, retro-active pay, early retirement benefits, entitled payouts upon retirement or termination, employer contributions for group benefits, EI, CPP, pension and special pension payments equal to 17% of eligible wages in addition to base salary.

It is notable from Table 17 (and shown in Chart 4) that 57% of the City's operating budget is committed to the workforce in salary and benefits. It is also notable that indirect costs of employment, including investment in employee training and development programs, are excluded. The overall amount of wages and benefits funded from the City operating budget is actually much higher when considering our subsidies to many of the agencies, boards and commissions predominately fund wages.

# SALARY & BENEFITS

## 2019 CITY OPERATING BUDGET: BY EXPENSE

Chart 4



## 2019 SALARY & BENEFITS: SUMMARY BY EMPLOYEE GROUP

The following table (Table 18) provides the distribution of salary and benefits payments among the City's workgroups. The effect of special pension payments of 17% of base salary is notable. Protective services (Fire and Police) account for just over 38% of the establishment; however, approximately 50% of available wages and benefits resources from the budget are committed to these workgroups.

Table 18

2019	Base Salary	Total Salary	Benefits and Required Deductions	Special Pension Payment (17%)	% of Salary Budget
Inside Workers (CUPE Local 486)	\$8,467,795	\$12,354,749	\$2,159,288	\$1,417,951	13%
Outside Workers (CUPE Local 18)	\$11,683,499	\$17,368,484	\$2,979,292	\$1,956,428	19%
Firefighters (IAFF 771)	\$15,801,433	\$23,351,338	\$4,730,420	\$2,645,985	26%
Management/ Professional/ Non-Union	\$9,846,324	\$14,047,426	\$2,510,813	\$1,648,789	15%
Police (SJ Police Association)	\$14,378,489	\$21,773,696	\$4,212,897	\$2,407,710	24%
Casuals	\$2,047,325	\$2,614,239	\$184,260	\$342,829*	3%
<b>Overall</b>	<b>\$62,224,866</b>	<b>\$91,509,934</b>	<b>\$16,776,969</b>	<b>\$10,419,692</b>	<b>100%</b>

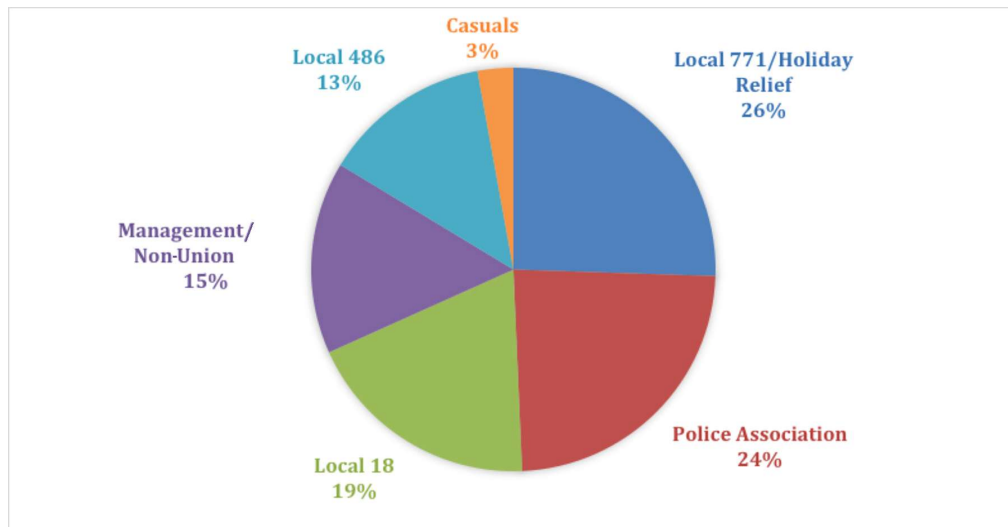
\*Casuals only qualify for a pension under specific circumstances.

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## SALARY & BENEFITS

### 2019 OPERATING BUDGET: TOTAL SALARY & BENEFITS

Chart 5



### 2019 BASE SALARY BY EMPLOYEE GROUP AND PAY BAND

Tables 19-30 provide a more granular view of salary data, illustrating the distribution of employees within pay bands and the associated salary implications for each level. All information reported as of December 31, 2019.

Average salary and maximum total salary includes base salary in addition to overtime and/or other entitlements for the year. The # in band represents everyone paid in that pay band during 2019. Note that some are partial years due to termination or new hires during the year.

## SALARY & BENEFITS

### CITY OF SAINT JOHN

#### CUPE Local 486: Inside Workers

The Inside Workers employee group includes a range of professions from building inspectors and engineering technologists, chemical technologists, administrative assistants and finance clerks working in all service areas of the City. This employee group are members of CUPE Local 486: Inside Workers and have a current collective agreement effective from January 1, 2015, to December 31, 2021.

Table 19

Pay Band	Min	Max	# in Band	Average Total Salary	Fringe (25.5%)	Special Pension (17%)	Total Cost	Max Salary Earned
Group 1	\$33,614	\$36,802	0	Only Casuals in these groups				
Group 2	\$37,656	\$41,303	0					
Group 3	\$41,697	\$45,793	8	\$38,649	\$9,856	\$6,570	\$55,075	\$61,234
Group 4	\$45,738	\$50,284	17	\$44,077	\$11,240	\$7,493	\$62,810	\$72,031
Group 5	\$49,786	\$54,775	11	\$51,579	\$13,153	\$8,768	\$73,500	\$61,616
Group 6	\$54,277	\$59,771	11	\$55,164	\$14,067	\$9,378	\$78,608	\$71,865
Group 7	\$58,770	\$64,766	24	\$64,852	\$16,537	\$11,025	\$92,414	\$86,604
Group 8	\$63,264	\$69,755	26	\$72,293	\$18,435	\$12,290	\$103,018	\$98,143
Group 9	\$67,753	\$74,744	20	\$68,728	\$17,526	\$11,684	\$97,937	\$85,404

## SALARY & BENEFITS

### CUPE Local 18: Outside Workers

The Outside Worker employee group includes skilled labour roles in a variety of service areas ranging from Parks and Recreations, Public Works, Materials and Fleet Management and Saint John Water. Employees in this group provide essential services such as snow removal, sanitation, water and wastewater treatment and maintenance of our parks and recreation facilities. Employees in this group are members of CUPE Local 18 and are covered by a collective agreement that was effective from July 1, 2014, to December 31, 2019.

Table 20

Pay Band	Hourly Rate	Annual Salary	# in Band	Average Total Salary	Fringe (25.5%)	Special Pension (17%)	Total Cost	Max Salary Earned
Level 1	\$24.51	\$50,981	18	\$33,371	\$8,510	\$5,673	\$47,553	\$57,655
Level 2	\$25.18	\$52,374	9	\$57,147	\$14,573	\$9,715	\$81,435	\$60,248
Level 3	\$25.87	\$53,810	18	\$57,918	\$14,769	\$9,846	\$82,533	\$64,107
Level 4	\$26.54	\$55,203	13	\$61,745	\$15,745	\$10,497	\$87,987	\$71,067
Level 5	\$27.21	\$56,597	30	\$58,724	\$14,975	\$9,983	\$83,681	\$64,678
Level 6	\$27.88	\$57,990	60	\$62,487	\$15,934	\$10,623	\$89,044	\$81,768
Level 7	\$28.55	\$59,384	27	\$62,454	\$15,926	\$10,617	\$88,997	\$84,572
Level 8	\$29.24	\$60,819	46	\$69,349	\$17,684	\$11,789	\$98,823	\$104,384
Level 9*	\$29.90	\$66,079	7	\$73,033	\$18,623	\$12,416	\$104,072	\$85,198
Level 10*	\$30.59	\$67,604	22	\$63,759	\$16,258	\$10,839	\$90,856	\$70,190
Level 11*	\$31.25	\$69,063	5	\$68,424	\$17,448	\$11,632	\$97,505	\$71,251
Level 12*	\$32.61	\$72,068	29	\$79,442	\$20,258	\$13,505	\$113,205	\$110,773
Level 15*	\$34.61	\$76,488	4	\$92,688	\$23,635	\$15,757	\$132,080	\$107,978

\*Foreman and Operators in Level 9-15 work an additional 30 minutes per day.



## SALARY & BENEFITS

### Saint John Firefighters IAFF 771

The Saint John Fire Service has been operating since 1786. Services provided by the Firefighters include fire rescue and suppression, technical rescue, hazardous materials emergency response, fire prevention, fire investigation and medical first responder. Employees in this group are members of the Firefighters' Association Local 771 and are covered by a collective agreement that was effective from January 1, 2015, to December 31, 2019.

Table 21

Pay Band	Annual Salary	# in Band	Average Total Salary	Fringe (29.3%*)	Special Pension (17%)	Total Cost	Max Salary Earned
Captain	\$106,116	14	\$96,039	\$28,139	\$16,327	\$140,505	\$124,638
Qual. Captain	\$103,809	9	\$105,186	\$30,820	\$17,882	\$153,888	\$106,839
Lieutenant	\$101,503	25	\$101,347	\$29,695	\$17,229	\$148,270	\$149,959
Qual. Lieutenant	\$96,889	29	\$99,458	\$29,141	\$16,908	\$145,507	\$137,592
1st Class FF	\$92,275	60	\$91,544	\$26,822	\$15,562	\$133,929	\$108,272
2nd Class FF	\$87,661	5	\$86,464	\$25,334	\$14,699	\$126,496	\$87,306
3rd Class FF	\$83,048	5	\$79,485	\$23,289	\$13,512	\$116,286	\$81,366
4th Class FF	\$78,434	4	\$70,875	\$20,766	\$12,049	\$103,690	\$75,462
HRFF 4th year	\$64,593	4	\$61,199	\$17,931	\$10,404	\$89,535	\$65,451
HRFF 3rd year	\$59,979	9	\$55,947	\$16,392	\$9,511	\$81,850	\$56,885
HRFF 2nd year	\$55,365	11	\$49,434	\$14,484	\$8,404	\$72,321	\$49,897

\*The fringe rate for Protective Services is higher to reflect the increase pension contributions.

## SALARY & BENEFITS

### Management/Professional

The Management/Professional group are all employees who are not covered by a collective agreement. The Management/Professional Terms and Conditions of Employment, last updated and approved by Common Council on April 8, 2019, cover these employees. Employees in this group include senior positions such as the city manager, commissioners, fire chief, city solicitor, and common clerk. Other management roles vary from operations managers, planners, financial managers and technical engineering managers. Roles classified as “Professional” include those that do not have direct supervisory responsibility and have been determined classified as non-union due to the nature of work.

Table 22

Pay Band	Min	Max	# in Band	Average Total Salary	Fringe (25.5%)	Special Pension (17%)	Total Cost	Max Salary Earned
Group A	\$178,257	\$196,738	1	\$207,576	\$52,932	\$35,288	\$295,796	\$207,576
Group A1	\$151,724	\$167,475	1	\$164,884	\$42,045	\$28,030	\$234,960	\$164,884
Group B	\$137,642	\$151,933	6	\$153,298	\$39,091	\$26,061	\$218,449	\$160,782
Group C	\$110,565	\$122,062	16	\$121,520	\$30,988	\$20,658	\$173,166	\$140,430
Group D	\$96,166	\$111,961	12	\$108,392	\$27,640	\$18,427	\$154,458	\$144,559
Group E	\$89,075	\$98,315	13	\$95,184	\$24,272	\$16,181	\$135,637	\$101,014
Group F	\$82,842	\$91,438	28	\$89,449	\$22,809	\$15,206	\$127,464	\$100,960
Group G	\$76,396	\$84,347	11	\$81,482	\$20,778	\$13,852	\$116,111	\$84,671
Group H	\$71,024	\$78,438	5	\$52,023	\$13,266	\$8,844	\$74,132	\$74,964

## SALARY & BENEFITS

### Non-Union Administrative

Non-Union Administrative Staff includes roles such as executive assistant, human resource administrator and administrative assistant in the city solicitor's office. These roles perform duties similar in nature to inside workers, however, are excluded from the union based on confidentiality and the nature of their work. Non-union follows the pay scale of CUPE Local 486; however, are covered by Terms and Conditions of Employment that were last approved by Council in April 2018.

Table 23

Pay Band	Min	Max	# in Band	Average Total Salary	Fringe (25.5%)	Special Pension (17%)	Total Cost	Max Salary Earned
Group 5	\$49,786	\$54,775	2	\$41,803	\$10,660	\$7,107	\$59,569	\$54,985
Group 6	\$54,277	\$59,771	2	\$60,001	\$15,300	\$10,200	\$85,502	\$60,001
Group 7	\$58,770	\$64,766	1	\$63,952	\$16,308	\$10,872	\$91,131	\$63,952
Group 8	\$63,264	\$69,755	1	\$70,023	\$17,856	\$11,904	\$99,783	\$70,023

### SAINT JOHN TRANSIT COMMISSION

Table 24

Pay Band	Hourly Rate	Annual Salary	# in Band	Average Total Salary	Fringe (22%)	Total Cost	Max Salary Earned
Service Manager	\$26.95	\$50,056	1	\$56,218	\$12,368	\$68,586	\$56,218
Driver	\$29.45	\$61,256	61	\$57,450	\$12,639	\$70,088	\$76,144
Cleaner	\$19.33	\$40,206	3	\$32,144	\$7,072	\$39,215	\$39,374
Mechanic	\$32.80	\$68,224	13	\$62,994	\$13,859	\$76,853	\$76,988
Body Main.	\$32.80	\$68,224	2	\$59,862	\$13,170	\$73,032	\$65,951
Building	\$29.45	\$61,256	2	\$62,743	\$13,804	\$76,547	\$64,178

Table 25

Pay Band	Min	Max	# in Band	Average Total Salary	Fringe (22%)	Total Cost	Max Salary Earned
Management*	\$87,095	\$145,339	4	\$91,264	\$20,078	\$111,341	\$108,488
Dispatch	\$58,945	\$63,153	5	\$60,032	\$13,207	\$73,239	\$65,071
Admin. Assistant & Sales	\$39,403	\$63,496	3	\$47,587	\$10,469	\$58,056	\$63,047

\*CEO included in Management, position funded 50% by Saint John Transit and 50% Saint John Parking Commission

## SALARY & BENEFITS

### SAINT JOHN POLICE FORCE

#### Saint John Police Association

Table 26

Pay Band	Annual Salary	# in Band	Average Total Salary	Fringe (29.3%*)	Special Pension (17%)	Total Cost	Max Salary Earned
Sergeant	\$102,126	26	\$108,935	\$31,918	\$18,519	\$159,372	\$144,025
1st Class Const.	\$94,627	110	\$104,990	\$30,762	\$17,848	\$153,600	\$137,671
2nd Class Const.	\$88,647	1	\$106,815	\$31,297	\$18,159	\$156,270	\$106,815
4th Class Const.	\$78,203	2	\$73,556	\$21,552	\$12,505	\$107,612	\$77,477

\*The fringe rate for Protective Services is higher to reflect the increase pension contributions

#### Saint John Police Force Management

Table 27

Pay Band	Min	Max	# in Band	Average Total Salary	Fringe (25.5%)	Special Pension (17%)	Total Cost	Max Salary Earned
Group A	\$178,257	\$196,738	1	\$180,693	\$46,077	\$30,718	\$257,487	\$180,693
Group B	\$137,642	\$151,933	1	\$134,037	\$34,182	\$22,788	\$191,017	\$134,037
Group C	\$110,565	\$122,062	2	\$122,626	\$31,270	\$20,846	\$174,742	\$125,342
Group D	\$96,166	\$111,961	6	\$100,849	\$25,717	\$17,144	\$143,710	\$117,516
Group E	\$89,075	\$98,315	0					
Group F	\$82,842	\$91,438	4	\$62,911	\$16,064	\$10,709	\$89,769	\$79,527
Group G	\$76,396	\$84,347	1	\$66,911	\$17,062	\$11,375	\$95,348	\$66,911

## SALARY & BENEFITS

### Saint John Police Force: Inside Workers CUPE Local 486

Members of CUPE Local 486 with the Saint John Police Force include positions in the administrative support and specialized positions in criminal areas such as Victim Services and Exhibits and Property Control.

Table 28

Pay Band	Min	Max	# in Band	Average Total Salary	Fringe (25.5%)	Special Pension (17%)	Total Cost	Max Salary Earned
Group 1	\$33,614	\$36,802	0	Only Casuals in these groups				
Group 2	\$37,656	\$41,303	0					
Group 3	\$41,697	\$45,793	7	\$35,862	\$9,145	\$6,097	\$51,103	\$52,720
Group 4	\$45,738	\$50,284	6	\$48,691	\$12,416	\$8,277	\$69,385	\$51,985
Group 5	\$49,786	\$54,775	1	\$52,779	\$13,459	\$8,972	\$75,210	\$52,779
Group 6	\$54,277	\$59,771	1	\$23,112	\$5,894	\$3,929	\$32,935	\$23,112
Group 7	\$58,770	\$64,766	0					
Group 8	\$63,264	\$69,755	3	\$52,926	\$13,496	\$8,997	\$75,420	\$70,024
Group 9	\$67,753	\$74,744	2	\$77,580	\$19,783	\$13,189	\$110,552	\$78,032

### Management: Public Safety Communications Centre (911)

Table 29

Pay Band	Min	Max	# in Band	Average Total Salary	Fringe (25.5%)	Special Pension (17%)	Total Cost	Max Salary Earned
Group D	\$96,166	\$111,961	1	\$107,804	\$27,490	\$18,327	\$153,620	\$107,804
Group F	\$82,842	\$91,438	1	\$79,527	\$20,279	\$13,520	\$113,520	\$79,527

### CUPE Local 486: Public Safety Communications Centre (911)

Table 30

Pay Band	Min	Max	# in Band	Average Total Salary	Fringe (25.5%)	Special Pension (17%)	Total Cost	Max Salary Earned
Group 4A	\$49,170	\$54,055	15	\$76,334	\$19,465	\$12,977	\$108,776	\$113,084
Group 8A	\$68,008	\$74,987	4	\$97,437	\$24,846	\$16,564	\$138,848	\$116,702

## SALARY & BENEFITS

### WAGE INCREASES: 15 YEAR SUMMARY

The resulting wage increases over a fifteen-year period demonstrate the overall impact that rising salary escalation, as compared to consumer price index (CPI), has had on the City's operating budget.

Table 31

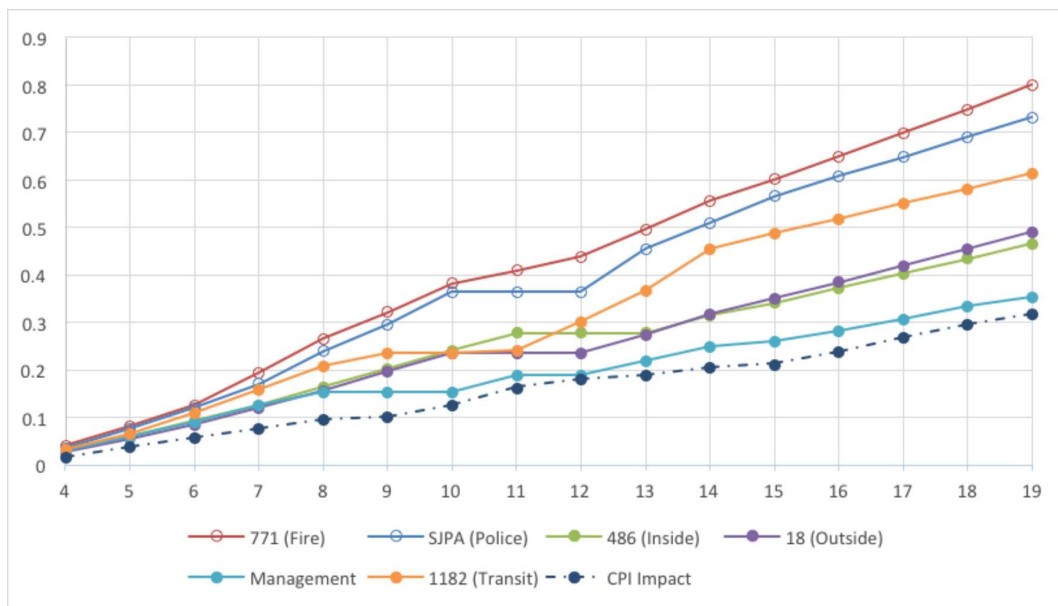
Year	CPI	Management	CUPE Local 486	FIRE	CUPE Local 18	SJPA	Transit
2004	1.45%	2.90%	3.00%	4.00%	2.75%	3.50%	3.28%
2005	2.38%	2.90%	3.00%	4.00%	2.75%	4.00%	3.18%
2006	1.68%	3.00%	3.00%	4.00%	2.75%	4.00%	4.11%
2007	1.83%	3.25%	3.00%	6.00%	3.25%	4.50%	4.44%
2008	1.80%	2.50%	3.50%	5.75%	3.25%	5.75%	4.26%
2009	0.44%	0%	3.25%	4.50%	3.50%	4.50%	2.27%
2010	2.29%	0%	3.25%	4.50%	3.25%	5.25%	0.00%
2011	3.35%	2.90%	3.00%	2.00%	0%	0%	0.44%
2012	1.58%	0%	0%	2.00%	0%	0%	4.86%
2013	0.66%	2.50%	0%	4.00%	3.00%	6.51%*	5.05%
2014	1.46%	2.50%	2.90%	4.00%	3.50%	3.75%	6.41%
2015	0.48%	1.00%	2.00%	2.97%	2.50%	3.75%	2.18%
2016	2.15%	1.75%	2.25%	2.97%	2.50%	2.75%	2.14%
2017	2.42%	2.00%	2.25%	2.97%	2.50%	2.50%	2.09%
2018	2.14%	2.00%	2.25%	2.97%	2.50%	2.50%	2.05%
2019	1.72%	1.50%	2.25%	2.96%	2.50%	2.50%	2.01%
Sum of Increases	27.83%	30.70%	38.90%	59.59%	40.50%	55.76%	48.78%
Average Increase	1.74%	1.92%	2.43%	3.72%	2.53%	3.49%	3.05%
Compounded Total Increase	31.7%	35.5%	46.7%	80.2%	49.1%	73.3%	61.4%

\*Included a flat-rate increase of \$1,500 (2.01% for 1st Class Constable and a wage increase of 4.5%

## SALARY & BENEFITS

### CPI and Wage Trends (compounded): 2004 – 2019

Chart 6



To put a dollar figure on the above chart, if the City of Saint John would have had pay increases that matched inflation (CPI) over the past 15 years, instead of the significantly higher awards shown above, the municipality would have saved approximately \$100 million in total wages. If the City's current wage escalation policy had been in effect for the same 15 years, since the policy does recognize that there are circumstances where pay raises could be higher than inflation, the savings would have been approximately \$50 million in total wages.





## SECTION 7: OBSERVATIONS & RECOMMENDATIONS

The Annual Workforce Report 2019 has given the Human Resources Department an opportunity to reflect on all aspects of the range of services we provide to our workforce. Collecting and analyzing the data is only the first step in ensuring our focus and direction is aligned with those of the organization and Council priorities. We have summarized key points from the data and provide the following recommendations. These recommendations will provide direction in 2020 for HR specifically, with support and implementation through all service areas.

### **HEALTH, SAFETY AND WELLNESS**

The health, safety and wellness of employees are of utmost importance. Key observations on this area include:

- The number of “Lost-time incidents” is high at 24.
- Average number of sick days is high at 10.6.
- Group benefit costs exceeded contributions by \$300,000 in 2019.

### **RECOMMENDATIONS**

1. A focus on employee health, safety and wellness including accident prevention through innovation, collaboration and training should reduce impacts of lost time incidents and sick days.
2. The Workforce Utilization Rate will provide insight on the success of initiatives aimed at improving productivity and finding better ways to measure and track progress. Improvements in employee health, safety and wellness, including accident prevention and attendance management, are key.
3. Maintaining a sustainable group benefits plan that meets the current and future needs of our workforce and retirees, is essential. Regular review of our contribution rates, providers and benefit levels by the Benefits Steering Committee will ensure sustainability of the plan and planning towards potential future impacts.

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## OBSERVATIONS & RECOMMENDATIONS

### EMPLOYEE ENGAGEMENT

Over 56 % of the workforce responded to the 2019 Employee Engagement Survey. Major findings are:

- A high level of commitment to the City from employees (8 in 10 respondents).
- Scored higher (77 %) on the “Engagement Index” than the database average (74 %).
- Seven in ten employees agree they are compensated fairly.
- Employees seek additional professional development and training opportunities.

### RECOMMENDATIONS

While we are pleased with these results, we will certainly aim to increase employee engagement and satisfaction through three initiatives in 2020.

1. An Employee Recognition Program will promote and encourage regular and consistent feedback and celebrate success in achieving results.
2. An improved employee digital communications interface will provide us with the ability to quickly and effectively communicate with all employees, give us a medium to showcase our successes, provide instant, consistent messaging, and allow employees to contribute.

### TRAINING AND DEVELOPMENT

The 21st century workforce must be equipped to adapt to changing technology and service demands. Key findings in this area include:

- Employees responding the employee engagement survey do not feel they have training or development to support their career goals (6 in 10 respondents).
- Cost of training and development per City employee is significantly lower than the average provided by the Conference Board of Canada (\$579 vs. \$889).
- The number of training completions increased significantly in 2019 due to the use of “Safety Hub” the City’s online training platform.

### RECOMMENDATIONS

The City’s financial challenges dictate restraint in all areas of spending. Therefore, a strategic approach that leverages the knowledge within the workforce will help us further develop

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## OBSERVATIONS & RECOMMENDATIONS

employees. Many key positions at the City of Saint John require professional designations (e.g. engineers, water treatment operators, planners, accountants, lawyers, technologists) which dictate training requirements for maintenance and certification.

1. Involve supervisors and other employees in the creation of divisional and sectional work plans that include individual goals and development opportunities.
2. Provide employees various opportunities for training and development through job rotation and participation on special projects where possible.
3. Continue to expand on the offerings provided through the online training platform.

### **ATTRACTION AND RETENTION**

Total compensation, work environment and organizational reputation are among the most important tools for successfully competing in local and regional labour markets. To attract and retain talent necessary to provide first-rate service to our community we must ensure we remain competitive given our available resources. Key observations include:

- Number internal promotions to external hires were almost equal.
- We hired almost 250 employees, including casuals, in 2019. The response rate per position was 96 on average.
- Recruitment challenges were primarily in specialized management roles. The challenges most often related to compensation and retirement benefits, primarily in more senior, executive roles.
- Overall, our turnover rates are low. Positive factors contributing to this include salary and benefits, commitment to the organization and job satisfaction as noted in the Employee Engagement Survey.

### **RECOMMENDATIONS**

1. Increase promotion and awareness of the total compensation package offered by the City of Saint John within our employee groups. Salary and benefits offered are competitive, particularly in entry to mid-level roles. Explore possible increases to compensation packages for select specialized and senior management positions.
2. Review recruitment strategy and total compensation package for senior roles to attract and retain candidates for executive level positions. Explore the possibility of additional incentives for specialized managers.

## SECTION 8: CITY MANAGER'S CONCLUDING REMARKS

I am pleased to present our first Workforce Annual Report. This Report, combined with many other documents and publicly-shared information, reaffirms our commitment to transparency and accountability.

It is a best-practice amongst large corporations to produce annual reports on the health of their workforce. We are now doing the same and we are doing so based on facts and empirical data. It is essential that we take care of our employees; that we ensure they are given the tools and training necessary to accomplish their work; and that they are well led and well managed. This Report helps inform all of us on our progress and on our challenges in moving further forward.



Our employees are the keys to our success. We are, after all, in the service delivery business and there is no excellence in service without excellent employees. As City Manager, I am convinced that we have excellent employees!

Our aim, of course, is to keep the workforce healthy (or excellent) in all regards. Not only is it the right thing to do, it also maintains and ideally improves productivity, effectiveness and efficiency. There are many necessary criteria for a successful and healthy workforce. Amongst the most important are: motivation, compensation, discipline, work ethic, overall morale, safety, personal and professional growth, and a work environment where everyone is treated with dignity and respect. This report shows that we are in good shape but have areas that must be addressed. As I have often mentioned, the day we believe that we no longer need to improve is the beginning of our end.

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## CITY MANAGER'S CONCLUDING REMARKS

Ensuring the best for our workforce does not come with an endless budget. The City of Saint John has significant financial challenges. Our overall costs are increasing at a rate three times faster than our overall revenues. We must increase our revenues but we must also control our costs. The budget of a city is no different than the budget of a family. We must live within our means. If we can't make more money, then we need to cut back.

The City of Saint John has documented all of its ongoing efforts to increase revenues through local initiatives and, more importantly, through transformational reforms such as comprehensive tax reform and regional cost-sharing. Increasing our revenue is a large part of the solution but costs must also be curtailed.

To control expenses, the City is exploring all possible ways to reduce operating costs. As part of this, the City must recognise that 57% of its operating budget is spent on wages and benefits and that our average yearly wage increases hover around 3%, while our revenue growth is significantly lower. This is not sustainable. We are spending more than we make. We must collectively work to get these costs under control so that we can ensure the future of all services to our taxpayers.

This Report has not detailed the challenges with limiting language within the collective agreements. This is intentional since we are currently in collective bargaining with several union groups where these matters are being discussed. That said, it is clear that we must complete an exhaustive reform (over a period of time) of our current collective agreements to address restrictive clauses that are limiting our ability to be flexible, agile and innovative. We must be as effective and efficient as possible while continuing to care for the needs of our workforce.

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## CITY MANAGER'S CONCLUDING REMARKS

While a reduction in employee costs is key to our financial sustainability, we are fully committed to furthering our health and safety programs and the training and development of our employees. Some of the recommendations put forth in this report, such as the implementation of an employee recognition program, will begin in the short term. Others, such as creating a culture of learning and development, will unfold over a number of years. However, the work must begin now.

Our Employee Engagement Survey has solidified something I suspected about our workforce. Our employees are passionate about delivering services to the residents of our City. We will continue to find ways to do so in our resource-constrained environment and we will do so in a manner that is appropriate to our employees. The Survey also highlighted several smaller ideas to pursue. Although they are not part of this Report, they will form part of our work plan for 2020 and 2021.

My special thanks to our Human Resources Department for preparing this document. I fully support their observations, findings and recommendations. More importantly, we now have all of the relevant data on our workforce in a singular document. Since this is our first year preparing this Report, we will seek feedback for possible improvements in the out years.

We are in the middle of great change and we have a lot of hard work ahead of us. I am confident that the same passion and professionalism our employees apply to their work every day will help us achieve our mission.

***“Grow the City. Serve the City. Become the community of choice.”***

John C. Collin  
City Manager







*Grow the City. Serve the City. Become the community of choice.*