

FINANCE COMMITTEE REPORT

Report Date	March 08, 2019
Meeting Date	March 13, 2019

His Worship Mayor Darling and Members of Common Council

SUBJECT: Wage Escalation Policy FAS-007

OPEN OR CLOSED SESSION

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

AUTHORIZATION

Primary Author	Commissioner/Dept. Head	City Manager
<i>Hilary Nguyen</i>	<i>Kevin Fudge</i>	<i>John Collin</i>

RECOMMENDATION

Be it resolved that:

1. Finance Committee recommends that Common Council approve the Draft City of Saint John Wage Escalation Policy FAS-007.

EXECUTIVE SUMMARY

It is recommended that Common Council approve the Wage Escalation Policy for the City of Saint John. The Wage Escalation Policy is an important component of a Long-Term Financial Plan because it will help address one of the major causes of the City's structural deficit by ensuring that the City spends within its means. The Policy will put the City on a sustainable path going forward.

PREVIOUS RESOLUTION

N/A

STRATEGIC ALIGNMENT

The Wage Escalation Policy is aligned with Council Priorities.

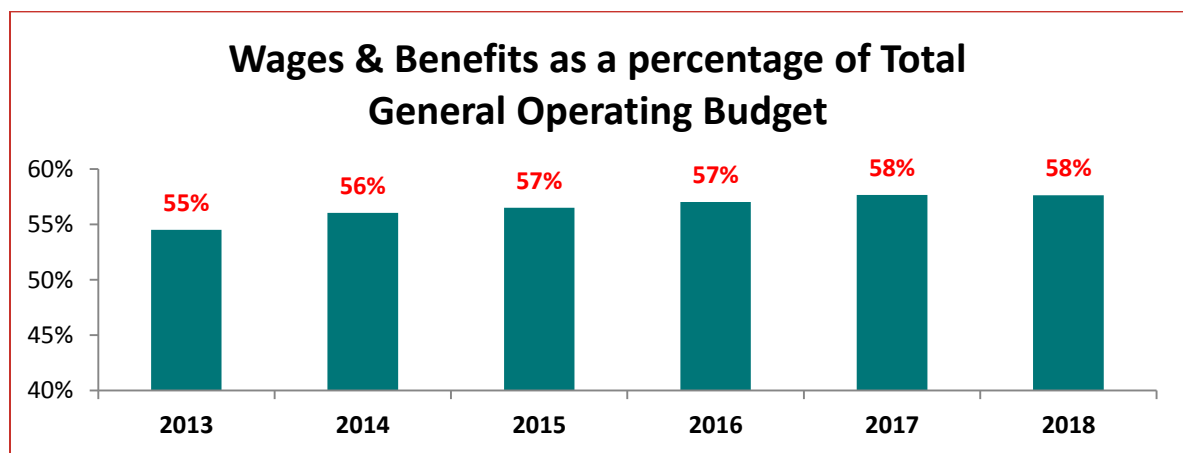
REPORT

The City has a sizable structural deficit and is currently using temporary financial assistance from the Province of New Brunswick in the amount of \$7.1 million in 2019 to fund its operations. The temporary funding will stop at the end of 2020. In addition to the City's operating deficit, the City has a high level of debt and is

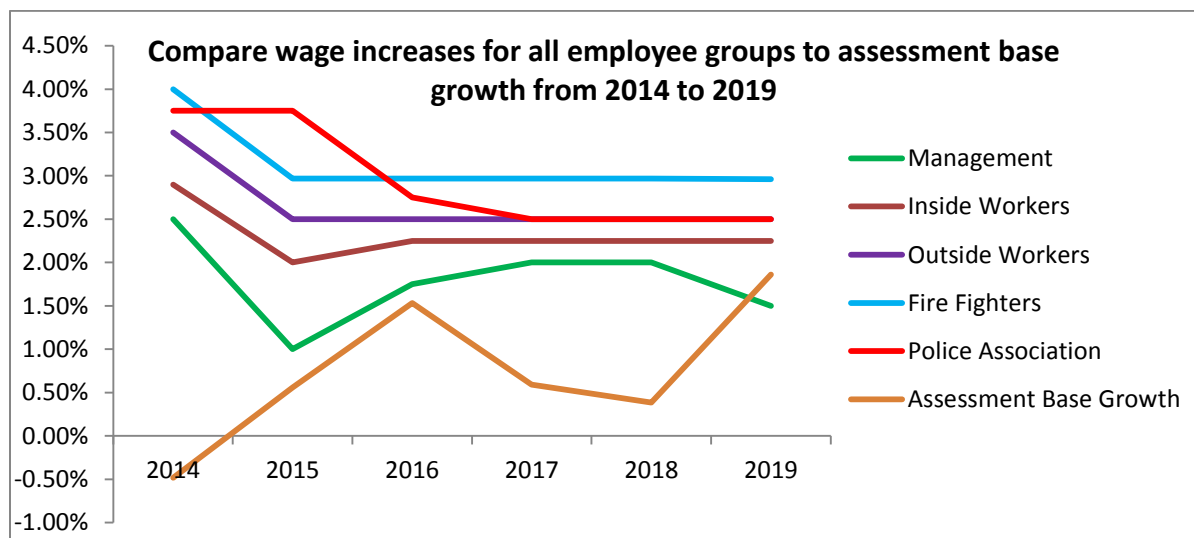
underfunding its infrastructure which will require significant investment in the future in order to deliver reliable services to citizens.

For the first time, the City is developing a Long-Term Financial Plan that will put the City on a sustainable path going forward. To ensure a successful implementation of the Long-Term Financial Plan, key underlying causes of the structural deficit and financial challenges related to debt and infrastructure have to be addressed. One of the causes is expenditure growth outpacing revenue growth.

As seen below, wages and benefits accounted for 58% of the total General Operating Budget in 2018. The percentage has gone up since 2013.



It is projected that if the trend continues, wages and benefits will account for 2/3 of the total Operating Budget in 10 years. From 2014 to 2019, tax revenue has increased \$5.9 million while wages and benefits have gone up by \$8.9 million. The following graph compares wage increases for all employee groups to the assessment base growth for the years 2014 to 2019.



The Wage Escalation Policy is needed to ensure that expenditure growth is aligned with revenue growth.

Objectives of the Wage Escalation Policy:

- The City spends within its means;
- Wage escalation does not cause a tax rate increase;
- Wage escalation does not exceed the City's assessment base growth;
- All employee groups are treated equitably.

Application:

- The City Manager shall recommend wage increases in accordance with the Wage Escalation Policy;
- Recommendations for wage increases shall be based on the previous three year rolling average of Assessment Base Growth;
- In any case, wage increases shall not exceed CPI plus 1% unless supported by a business case and approved by Common Council.

The Three Year Rolling average is recommended due to the following factors:

- The fluctuation in the assessed value of properties for tax purposes will be smoothed out by the rolling average;
- Historical trend can help predict future growth;
- The Three Year Rolling Average is a reliable source of information that can be validated;
- A compensation model based on the Three Year Rolling Average is predictable, affordable and equitable.

Conclusion:

Wage Escalation Policy is the 7th Financial Policy recommended by the Finance Committee. The Suite of Financial Policies will help strengthen governance related to fiscal responsibilities and improve overall financial health of the City. The Wage Escalation Policy is aligned with Council Priorities.

SERVICE AND FINANCIAL OUTCOMES

The Wage Escalation Policy is aligned with Council Priorities and will contribute to the successful implementation of the Long-Term Financial Plan.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

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ATTACHMENTS

[List attachments related to report.](#)