



SAINT JOHN

**Title: Wage Escalation Policy**

Subject: <b>Wage increases</b>	Category: <b>Finance and Administrative Services</b>	
Policy No.: <b>FAS-007</b>	M&C Report No.:	
Effective Date:	Next Review Date:	
Area(s) this policy applies to: <b>Cross Corporate</b>	Office Responsible for review of this Policy: <b>Finance and Administrative Services</b>	
Related Instruments: <b>FAS-001</b> Asset Management Policy <b>FAS-002</b> Investment Management Policy <b>FAS-003</b> Reserves Policy <b>FAS-004</b> Operating Budget Policy <b>FAS-005</b> Capital Budget Policy <b>FAS-006</b> Debt Management Policy	Policy Sponsors: <b>Commissioner of Finance and Administrative Services</b>	
	Document Pages: <b>This document consists of 4 pages.</b>	
Revision History:		
<div style="border: 2px solid red; padding: 10px; margin: 20px auto; width: 80%;"><p style="text-align: center;">Common Clerk's Annotation for Official Record</p><p>Date of Passage of Current Framework: _____</p><p>I certify that this Policy was adopted by Common Council as indicated above.</p><div style="display: flex; justify-content: space-between; margin-top: 20px;"><div style="width: 45%; text-align: center;">_____ Common Clerk</div><div style="width: 45%; text-align: center;">_____ Date</div></div></div>		
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## 1. PURPOSE AND CONTEXT

- 1.1. 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 be sustainable, the City must find ways to control costs that have been escalating faster than its revenue growth.
- 1.2. In 2019, wages and benefits account for 57% of the total Operating Budget. To be sustainable, wage increases must become better aligned with tax base growth.
- 1.3. From 2014 to 2019, wages & benefits have increased \$8.9 million while tax revenue has increased only \$5.9 million.
- 1.4. Wage escalation policy is needed to provide direction to staff and to ensure that ability to pay is considered in future labor contract negotiations.

## 2. POLICY STATEMENT

- 2.1. The Wage Escalation Policy is established to ensure that the City is on a sustainable path by aligning expenditure growth with tax base growth.
- 2.2. The Wage Escalation policy objectives are as follows:
  - 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.

## 3. DEFINITIONS

- **Municipal Assessment Base for Tax Purposes** – means the total amount of property values for property tax purposes.
- **Assessment Base Growth** – means the percentage increase in the Municipal Assessment Base for Tax Purposes on an annual basis.

## 4. PRINCIPLES AND APPLICATION

### 4.1 Principles:

- 4.1.1 Wage increases must be affordable;
- 4.1.2 Wage increases must not exceed the assessment base growth;
- 4.1.3 Notwithstanding clause 4.1.2, wage increases cannot exceed CPI plus 1% unless it is supported by a business case and approved by Common Council;
- 4.1.4 Bargaining or non-bargaining employees are treated equitably.

**4.2 Application:**

- 4.2.1 The City Manager shall recommend wage increases in accordance with the Wage Escalation Policy;
- 4.2.2 Recommendations for wage increases shall be based on the previous three year rolling average of Assessment Base Growth;
- 4.2.3 Utilizing a Three Year Rolling Average is a recommended approach 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.

Example of a 3-year rolling average of assessment base growth from 2017-2019:

2017	2018	2019	3-Year Rolling Average
0.59%	0.39%	1.86%	0.95%

- 4.2.4 In any case, wage increases shall not exceed CPI plus 1% unless it is supported by a business case and approved by Common Council.

**5. ROLES AND RESPONSIBILITIES**

**5.1 Council shall:**

- 5.1.1 Approve the Wage Escalation Policy;
- 5.1.2 Direct staff to use the three-year rolling average of the assessment base growth in future contract negotiations.

**5.2 Finance Committee shall:**

- 5.2.1 Recommend the Wage Escalation Policy to Common Council for approval;
- 5.2.2 Review any changes to the Wage Escalation Policy in the future.

**5.3 The Finance Commissioner shall:**

- 5.3.1 Review annually to ensure that wage and benefit increases are in compliance with the Wage Escalation Policy;
- 5.3.2 Update the three-year rolling average of the assessment base growth on an annual basis and make the information available to Human Resources and all employee groups.
- 5.3.3 Recommend any changes to the Wage Escalation policy in the future.