

## COUNCIL REPORT

M&C No.	2020-254
Report Date	October 19, 2020
Meeting Date	October 26, 2020
Service Area	Finance and Administrative Services

His Worship Mayor Don Darling and Members of Common Council

***SUBJECT: 2021 General Fund Operating Budget***

***OPEN OR CLOSED SESSION***

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

***AUTHORIZATION***

Primary Author	Commissioner/Dept. Head	City Manager
<b><i>Craig Lavigne</i></b>	<b><i>Kevin Fudge</i></b>	<b><i>John Collin</i></b>

***RECOMMENDATION***

RESOLVED:

1. That the sum of \$157,331,557 be the total Operating Budget of the City of Saint John for 2021;
2. That the sum of \$125,990,634 be the Warrant of the City of Saint John for 2021;
3. That the tax rate for the City of Saint John be \$1.785;
4. That Common Council orders and directs the levying by the Minister of Environment and Local Government of said amount on real property liable to taxation under the Assessment Act within the Municipality of Saint John;
5. That Common Council authorizes the Chief Financial Officer to disburse, at a time acceptable to him, to the named Commissions, Agencies and Committees, the approved funds as contained in the 2021 budget;
6. That Common Council approves the 2021 Establishment of Permanent Positions at 572;
7. That Common Council approve \$605,000 to the Capital Reserve Fund to fund infrastructure deficit;
8. That Common Council approve \$377,484 to the Operating Reserve Fund to mitigate potential impacts of COVID 19 and other one-time emergencies that may arise in the future;

**EXECUTIVE SUMMARY**

On October 6<sup>th</sup>, the Province released the property assessment and unconditional grant information. The draft operating budget approved by Common Council on August 31<sup>st</sup> had an estimated tax assessment increase of 1.5%. The tax assessment increase for 2021 is 0.12% and the lower than expected increase can be largely contributed to the impact of COVID 19 on commercial properties.

There is an increase in the unconditional grant of \$1,024,646 compared to the draft budget that was approved. Overall there is a decrease in revenue of \$715,339 when compared to the approved draft budget.

The 2021 draft budget included the flexibility to allow for the decrease in revenue without any further impact to service areas. There were additional staff reductions and the balance of the shortfall will be adjusted through transfer to operating reserves. The City's operating reserves still has the flexibility to mitigate potential impacts of COVID 19 and other one-time emergencies.

**PREVIOUS RESOLUTION**

Finance Committee – October 21st – 2021 Draft General Fund Capital Budget

RESOLVED by the Finance Committee at its meeting on October 21st, 2020;

1. That the sum of \$157,331,557 be the total Operating Budget of the City of Saint John for 2021;
2. That the sum of \$125,990,634 be the Warrant of the City of Saint John for 2021;
3. That the tax rate for the City of Saint John be \$1.785;
4. That Common Council orders and directs the levying by the Minister of Environment and Local Government of said amount on real property liable to taxation under the Assessment Act within the Municipality of Saint John;
5. That Common Council authorizes the Commissioner of Finance and Administrative Services to disburse, at a time acceptable to him, to the named Commissions, Agencies and Committees, the approved funds as contained in the 2021 budget.
6. That Common Council approves the 2021 Establishment of Permanent Positions at 572;
7. That Common Council approve \$605,000 to the Capital Reserve Fund to fund infrastructure deficit;
8. That Common Council approve \$377,484 to the Operating Reserve Fund to mitigate potential impacts of COVID 19 and other one-time emergencies that may arise in the future;

**REPORT**

The 2021 draft General Operating Budget was approved by Common Council on August 31<sup>st</sup>. The 2021 budget was presented as a historical financial reset for the City. The estimated \$10 million structural deficit was eliminated; the budget included no short term provincial funding and was also be the earliest approval of an operating budget.

On October 6<sup>th</sup>, the Province released the property assessment and unconditional grant information. The draft operating budget approved by Common Council on August 31<sup>st</sup> had an estimated tax assessment increase of 1.5%. The tax assessment increase for 2021 is approximately \$8.3 million or 0.12% and is lower than expected largely contributed to the impact of COVID 19 on commercial properties. Exhibit 1 below illustrates the tax base change for the City between the years 2020 and 2021:

**Exhibit 1**

<b><u>Saint John Assessment</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>Tax Base Increase</u></b>	<b><u>Tax Base %</u></b>
Residential	\$ 4,306,877,700	\$ 4,275,036,840	\$ 31,840,860	0.74%
Non Residential	\$ 2,754,598,104	\$ 2,777,648,100	-\$ 23,049,996	-0.83%
PILT Adjustment	-\$ 3,176,985	-\$ 2,658,368	-\$ 518,617	
<b>Total</b>	<b>\$ 7,058,298,819</b>	<b>\$ 7,050,026,572</b>	<b>\$ 8,272,247</b>	<b>0.12%</b>

Due to the lower tax base increase, Saint John was the recipient of a higher unconditional grant by \$1,024,646 compared to the draft budget that was approved. Between the lower than expected tax base contained in the August draft budget and the increase in the unconditional grant, the overall revenue impact to the City is a decrease in revenue of \$715,339 when compared to the approved draft budget. When comparing the 2021 operating budget to the 2020 operating budget which had short term Provincial financial assistance, total revenue for the City in 2021 is approximately \$9.4 million less; the revenue decline was addressed through the City’s restructuring efforts.

The 2021 draft budget tabled in August included the flexibility to adapt to changes in tax base growth from the base assumption of 1.5% without any further impact to service areas. There were additional staff reductions and the balance of the shortfall will be adjusted through transfer to operating reserves. The City’s operating reserves still has the flexibility to mitigate potential impacts of COVID 19 and other one-time emergencies.

**Conclusion**

The 2021 General Fund Budget is a historical budget for the City of Saint John. The budget includes the elimination of a \$10 million structural deficit. This is the first budget that has been guided by the City’s first long term financial plan. The goals,

strategies, and policies embedded in the long term financial have been met or exceeded in this budget.

The budget includes money for reserves, addresses the structural deficit, addresses wage escalation, reduction of debt, increasing pay as you go and keeping a stable tax rate.

The budget sets the City on the path of long term financial stability. This budget ensures the City increases its flexibility, reduces its vulnerability, and ensures accountability around how tax payer's dollars are spent.

This will also be the first budget that will be monitored using the budget monitoring policy passed by Common Council in May, 2020. One of the significant changes of this policy is the separation of personnel and non-personal budgets. This change will mean surpluses or deficits in wages and benefits cannot be offset by surpluses or deficits in goods and services. This policy is also intended to allow for more budget transparency and performance management, allow for better budgeting accuracy, provide enhanced fiscal oversight and more financial flexibility by integration of reserve strategies.

This budget is another step in long term financial plan of the City. There will be continued efforts to work with the Province on more sustainable items such as fair taxation, addressing collective bargaining issues, SJ Energy revenue options and various other items in the "Three Part Plan"

### ***STRATEGIC ALIGNMENT***

The 2021 General Fund Budget aligns with Council's priority of being fiscally responsible as well as the principles, policies and goals of the long term financial plan. The 2021 budget has been the result of Council and Staff being successful in dealing with barriers, implementing sustainability initiatives, and continuing to work with the Province on the "Three Part Plan".

### ***SERVICE AND FINANCIAL OUTCOMES***

See enclosed 2021 General Fund Operating Budget.

### ***INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS***

Input has been received from all Service Areas, the ABCs, Senior Leadership Team and members of the Finance Committee and Common Council.

### ***ATTACHMENTS***

Appendix 1 - 2021 General Fund Operating Budget