

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

CONTENTS

1. Executive summary	5
2. Background.....	12
2.1 Approach	
3. Business cases.....	15
3.1 Fire services	
3.2 Police services	
3.3 SJ Energy	
3.4 Municipal buildings	
3.5 Municipal lands	
3.6 Procurement	
3.7 Saint John Water	
3.8 Economic development	
3.9 Fleet services	
3.10 Public works and recreation	
3.11 ABCs	
4. Sustainability enablers.....	61
4.1 Labour relations	
4.2 Tax reform	
4.3 Performance management and accountability	
4.4 Regional collaboration	
4.5 Governance and structure	
4.6 Culture	
5. Roadmap.....	71
6. Additional findings and considerations.....	74
6.1 Revenue diversification	
6.2 Spending authority	
6.3 Shared services	
6.4 Grants	
6.5 Transit	
7. Appendices.....	81
A: Benchmarking	
B: Fire services	
C: Municipal buildings	
D: Municipal lands	
E: Procurement	
F: Labour relations	

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:

- 1** 50% of the deficit will be addressed through workforce adjustments.
- 2** Where possible, the City will divest its infrastructure to avoid large infrastructure deficits.
- 3** Revenue streams will be enhanced and expanded.
- 4** 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, divesture 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.

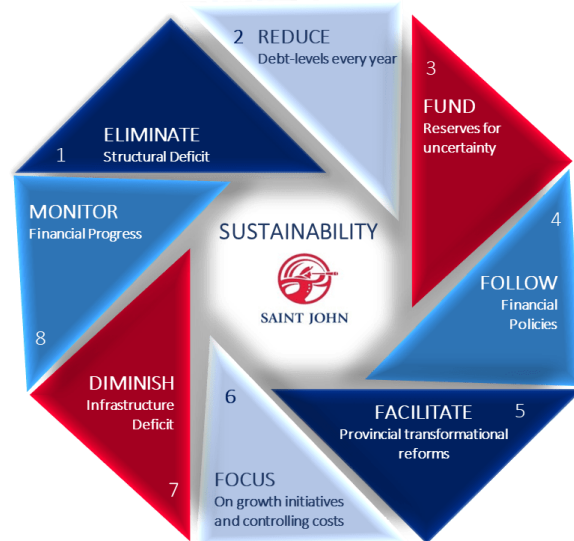
Please see the City's sustainability wheel below that depicts the steps the City has initiated towards sustainability.

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)
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	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	-
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3.1 Fire and rescue services

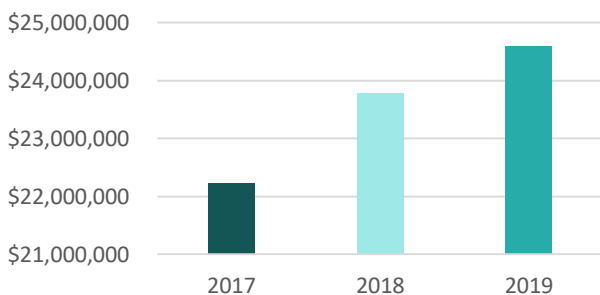


Service description

- ▶ 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	Non-financial impact
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- | | |
|---|---|
| <ul style="list-style-type: none"> ▶ 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. | <ul style="list-style-type: none"> ▶ 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. |
|---|---|

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

Dependencies	Risks
--------------	-------

- | | |
|--|--|
| <ul style="list-style-type: none"> ▶ 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. | <ul style="list-style-type: none"> ▶ 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">▶ Positions can be reduced through attrition to minimize separation costs.▶ 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).▶ Decisions are made and better triage is implemented to reduce response to medical calls by at least 50%.
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:

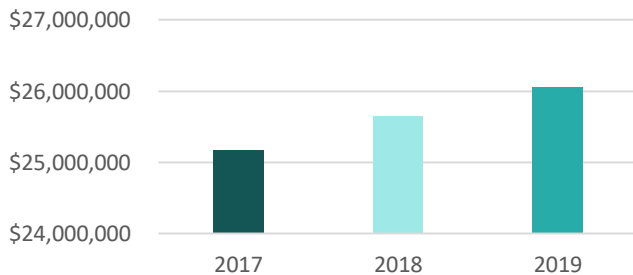
- ▶ Crime prevention, including community policing
- ▶ Emergency response, including autism registry, 911, emergency tactical services, canine unit
- ▶ Law enforcement, including patrol division, criminal investigation division, traffic unit, Fundy integrated intelligence unit
- ▶ Public order and by-law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

- ▶ 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.
- ▶ Support from the province and the RCMP would be required to explore policing partnerships and cost-sharing arrangements.
- ▶ Provincial directions would be required for all police forces to standardize equipment in a manner that facilitates cross collaboration and joint procurement.

Risks

- ▶ Opposition from unions and collective bargaining groups regarding headcount reductions and increased civilianization.
- ▶ Opposition from residents due to safety concerns from increasing civilian police headcount.
- ▶ Improper training provided for civilian police officers would impact City service levels.
- ▶ Obtaining agreement from all municipalities to standardize equipment specifications would be a challenge.
- ▶ The current binding arbitration processes could pose an impediment to achieving some of these recommendations.

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

- ▶ 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).
- ▶ 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



3.3 Saint John Energy

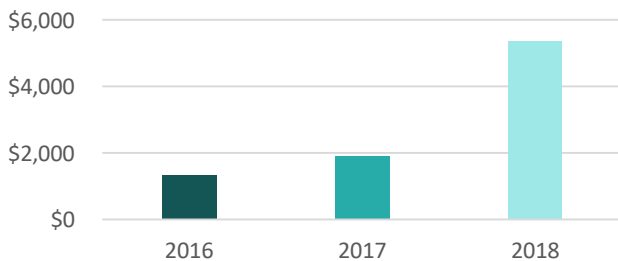


Service description

- ▶ 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 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

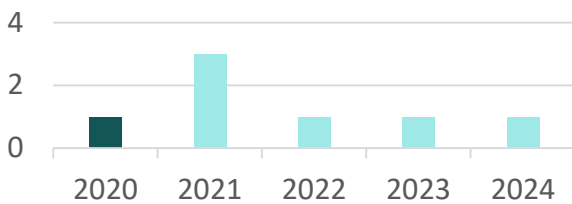


Current state

- ▶ 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 eases; 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

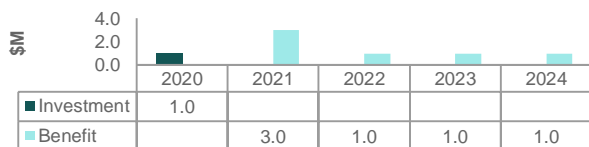
- ▶ Of the seventy-seven (77) City-owned buildings, EY has identified nineteen (19) potential opportunities for the City to explore, broken down into; divesting of certain Municipal Buildings or identifying potential cost savings by performing operational assessments (E.g. Aquatic Centre, Lord Beaverbrook, 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	Non-financial impact
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- ▶ 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.

- ▶ 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 outlines 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

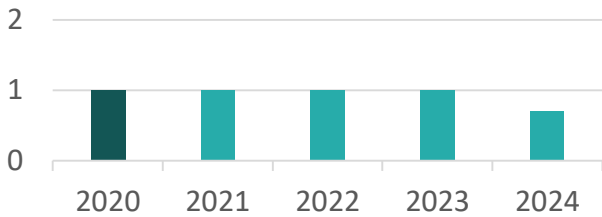


Current state

- ▶ 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 divesture 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.

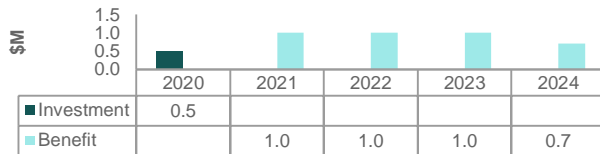
Opportunity

- ▶ 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:

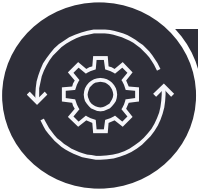
- ▶ The vacant land is marketable
- ▶ There is market interest in the land
- ▶ The various City departments will provide required input

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

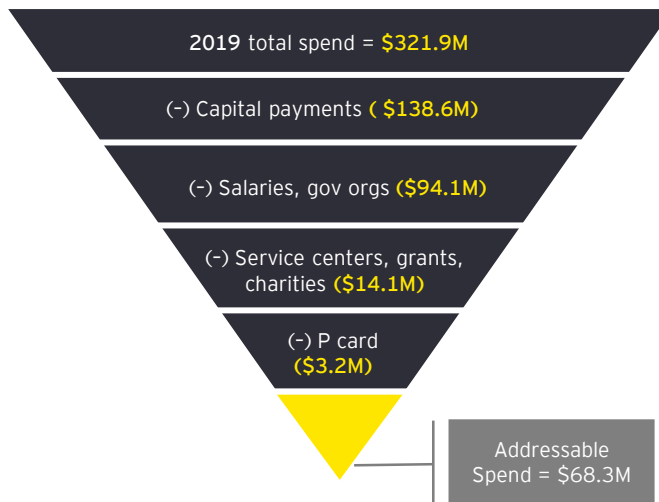
The City's Material Management Division is responsible for facilitating the procurement of goods, services and construction contracts for all City departments (with the exception of the Municipal Operations Department), and Police services.

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"> ▶ Addressable spend excludes fleet (as it is included in a separate case). A baseline exercise is required to further refine savings. ▶ Low savings assumes City adoption of strategic sourcing and contract management principles to manage its addressable spend. ▶ High savings assumes creation of a shared services function responsible for category management and strategic sourcing, for various entities (ABCs) and municipalities. 	

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.



Financial impact	Non-financial impact
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	Savings range		Comments
	Low ^{1,3}	High ^{2,3}	
Approximate savings	2%	7%	<ul style="list-style-type: none"> ▶ Addressable spend (\$68.3M) was taken to measure savings. This spend capital, salaries, charities, etc. A baseline exercise is required to further refine savings, as it considers demand and inflation ▶ Low savings assumes the City adopting strategic sourcing and contract management principles to manage its addressable spend ▶ High savings assumes creation of a shared services function responsible for category management and strategic sourcing, for various entities (ABCs) and municipalities within the region
	\$1.2M	\$4.4M	

- Strategic sourcing and category management**
 - ▶ Decreased administrative effort related to issuing RFPs
 - ▶ Supplier rationalization
- Contract management**
 - ▶ Decreased administrative effort related to invoice validation through automation
- Spend under PO**
 - ▶ Streamline process
 - ▶ Increase controls
- Red tape reduction**
 - ▶ Decreased administrative effort related to obtaining approval and obtaining quicker turnaround time for procurement

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
-	\$1.2M - \$4.4M	-

Dependencies	Risks
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- ▶ Establishing a governance model: Roles and responsibilities for the various entities in scope
- ▶ Leadership: Ideally a director level position to overcome internal barriers
- ▶ Data visibility: Obtaining spend and contract data from the entities in scope
- ▶ Demand forecast: Ability to forecast demand over a multi-year horizon
- ▶ Council approval: For increasing the spending limit for staff

- ▶ Impact on local supplier communities through strategic sourcing and category management
- ▶ Perceived loss of transparency and governance due to increased staff independence for procurement spending

High-level implementation activities and timeline

Assumptions

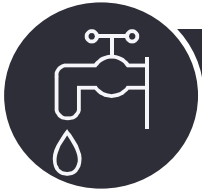
Work stream	High-level activities	2020	2021	2022	2023
Shared services	Obtain approval to proceed with shared services				
	Implement shared services				
	Define and implement benefits tracking approach				
Collaborative sourcing	Obtain spend data from different entities				
	Conduct spend and contract 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 range^{1,3}: Assumes the procurement function adopts strategic sourcing and contract management principles to manage addressable spend for the City of Saint John only.
- ▶ High savings range^{2,3}: 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.



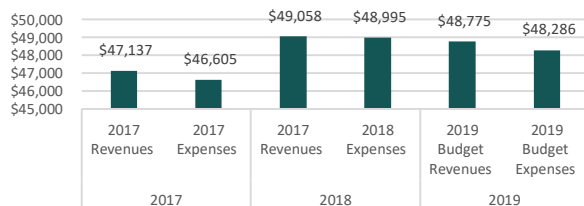
3.7 Saint John Water



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 the serve them with their Water services.

Data sources:

- ▶ Saint John Water - Fiscal Responsibility: Strategic Planning Session February 27, 2019.
- ▶ Interviews with City employees.

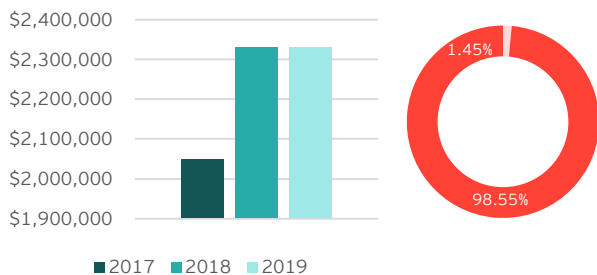
3.8 Economic development



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
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Activity	2020	2021	2022	2023
Receive final approvals				
Transition to new organization				
Fully implement new organization				
Develop four year strategic growth goals and KPIs				

- ▶ KPIs will be developed
- ▶ The City of Saint John, as the preferred majority shareholder, will have additional rights
- ▶ There will be regional representation from each municipality



3.9 Fleet services

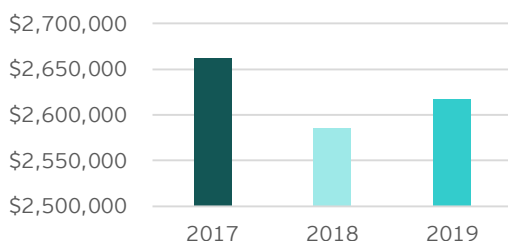


Current state

- ▶ 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>Fleet optimization 2.0 & 3.0: \$250K - \$300K</p> <p>Vehicle purchasing with VMA - TBD:</p> <ul style="list-style-type: none"> ▶ Savings to be determined in collaboration with VMA <p>Transit garage consolidation - TBD</p> <ul style="list-style-type: none"> ▶ 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. 	<ul style="list-style-type: none"> ▶ Enhanced accountability and productivity with City workers ▶ Improved utilization of the City fleet ▶ Increased purchasing power ▶ City fleet maintenance personnel would work in an enhanced environment at the transit garage ▶ 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 ▶ 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 <table border="1" data-bbox="813 884 1479 989"> <thead> <tr> <th data-bbox="813 884 1024 940">Debt reduction</th> <th data-bbox="1024 884 1243 940">Cost optimization (annualized)</th> <th data-bbox="1243 884 1479 940">Revenue generation (annualized)</th> </tr> </thead> <tbody> <tr> <td data-bbox="813 940 1024 989">-</td> <td data-bbox="1024 940 1243 989">\$250K - \$300K</td> <td data-bbox="1243 940 1479 989">-</td> </tr> </tbody> </table>	Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)	-	\$250K - \$300K	-
Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)					
-	\$250K - \$300K	-					

Dependencies	Risks
<ul style="list-style-type: none"> ▶ Approval from provincial government for collaboration with VMA ▶ Transit Commission would merge with the City of Saint John ▶ A real-estate developer interested in sanitizing and short-term development of the North Depot is found ▶ The North Depot lots are developed quickly so as to maximize real-estate tax revenue to the City ▶ Change in labour agreement to enable collaboration of fleet and transit maintenance workers 	<ul style="list-style-type: none"> ▶ The consolidation perimeter would yield less attractive cash flows if the merger with transit were to fail ▶ Without an investor to buy and develop the four North Depot lots, the case lacks financial upside ▶ Financial benefits will depend significantly on how and how fast the North Depot lots are developed



High-level implementation activities and timeline						Assumptions
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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

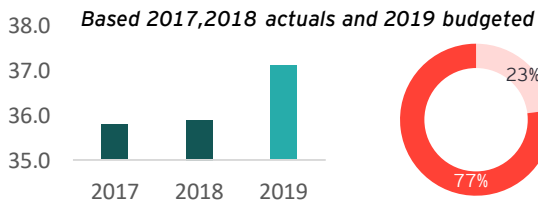
3.10 Public works and recreation



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



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	Non-financial impact
<ul style="list-style-type: none"> ▶ 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) 	<ul style="list-style-type: none"> ▶ 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

Debt reduction	Cost optimization (annualized)	Revenue generation (annualized)
\$180K	\$3.5M	\$550K



Dependencies	Risk
<ul style="list-style-type: none"> ▶ 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 	<ul style="list-style-type: none"> ▶ 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
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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

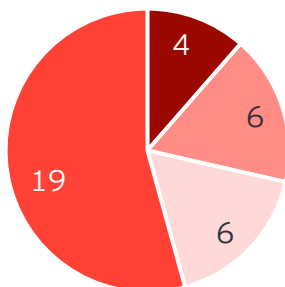


Current state

- ▶ 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

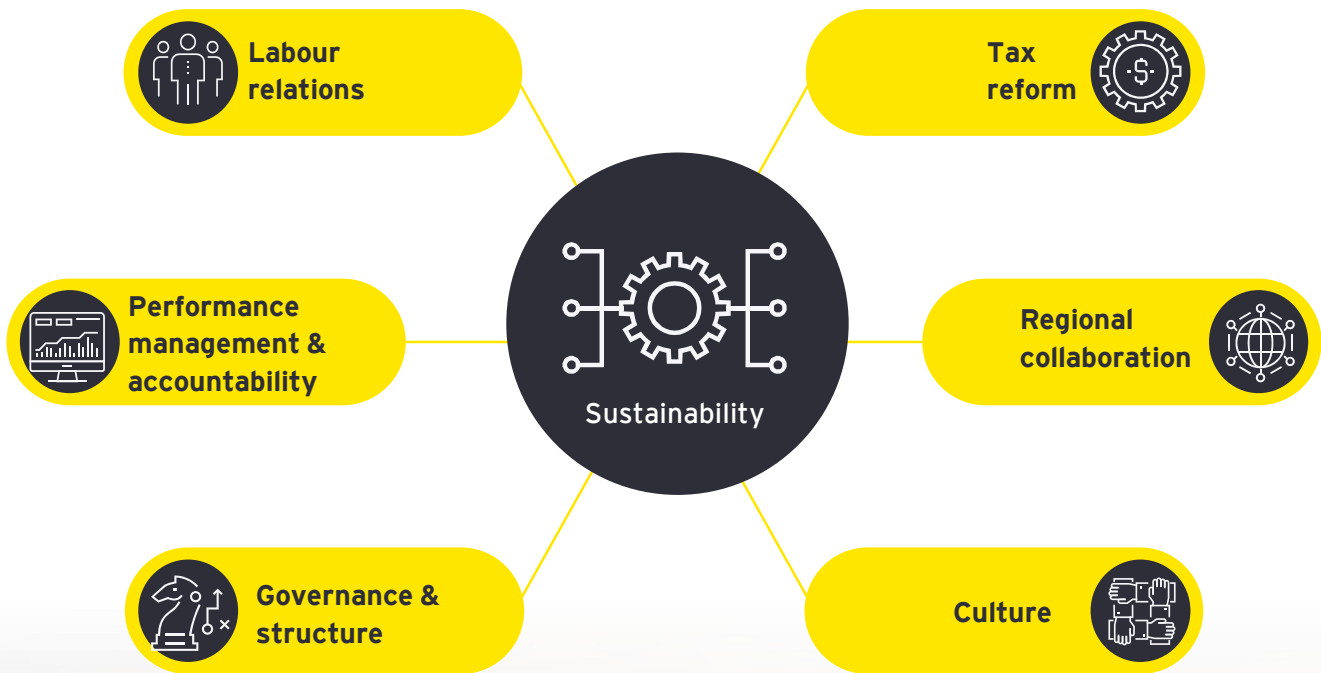


A nighttime photograph of a city street. On the left, a multi-story brick building with arched windows is illuminated by warm streetlights. In the foreground, an outdoor cafe area is visible, featuring several tables and chairs, some with blue umbrellas. The ground is paved with cobblestones. In the background, a modern skyscraper with vertical lines is visible against the dark blue sky. A bright yellow diagonal line runs from the top left towards the bottom right, partially obscuring the text.

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 employees 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.

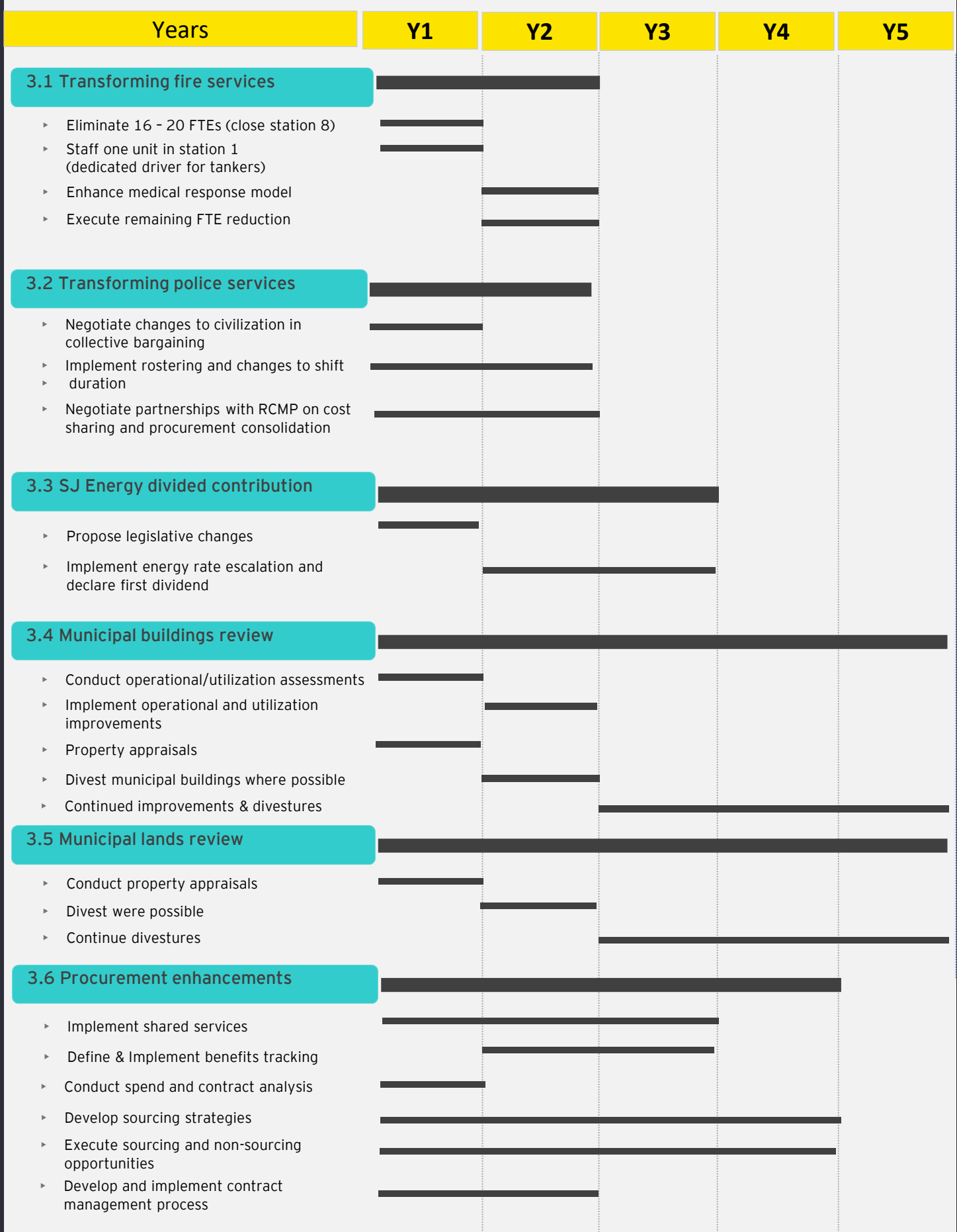


Summary of sustainability enablers

Sustainability enablers	Recommendations
 <p>4.1 Labour relations</p>	<ul style="list-style-type: none"> ▶ Document recommended criteria which the legislation should include ▶ Enter into a shorter-term agreement if needed to avoid the ability-to-pay clause not being enacted ▶ Examine the landscape, to support each set of negotiations ▶ Develop a comprehensive labour relations strategy ▶ Conduct an independent evaluation of the negotiating teams ▶ Include a labour lawyer on the negotiating team ▶ Inventory and pull together significant arbitration decisions that have impacted collective agreements
 <p>4.2 Tax reform</p>	<ul style="list-style-type: none"> ▶ 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
 <p>4.3 Performance management and accountability</p>	<ul style="list-style-type: none"> ▶ 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. ▶ 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.
 <p>4.4 Regional collaboration</p>	<ul style="list-style-type: none"> ▶ Establish a single regional economic development entity for the broader CMA ▶ Explore other regional opportunities with neighbouring communities; namely, fire, waste, water treatment and police services
 <p>4.5 Governance & structure</p>	<ul style="list-style-type: none"> ▶ Align organizational structure and governance to align and support the strategic plan ▶ The recommendations to enhance governance and structure span across all city entities to determine opportunities for long-term efficiencies
 <p>4.6 Culture</p>	<ul style="list-style-type: none"> ▶ Include culture and change management as a foundational part of the transformational plan ▶ Identify the behaviours that currently impede its sustainability path ▶ Identify those that it wants to permeate the organization to support change and a culture of continuous improvement ▶ Adopt leadership training and a roadmap to shift culture to successfully execute on the sustainability plan

5.0 Roadmap



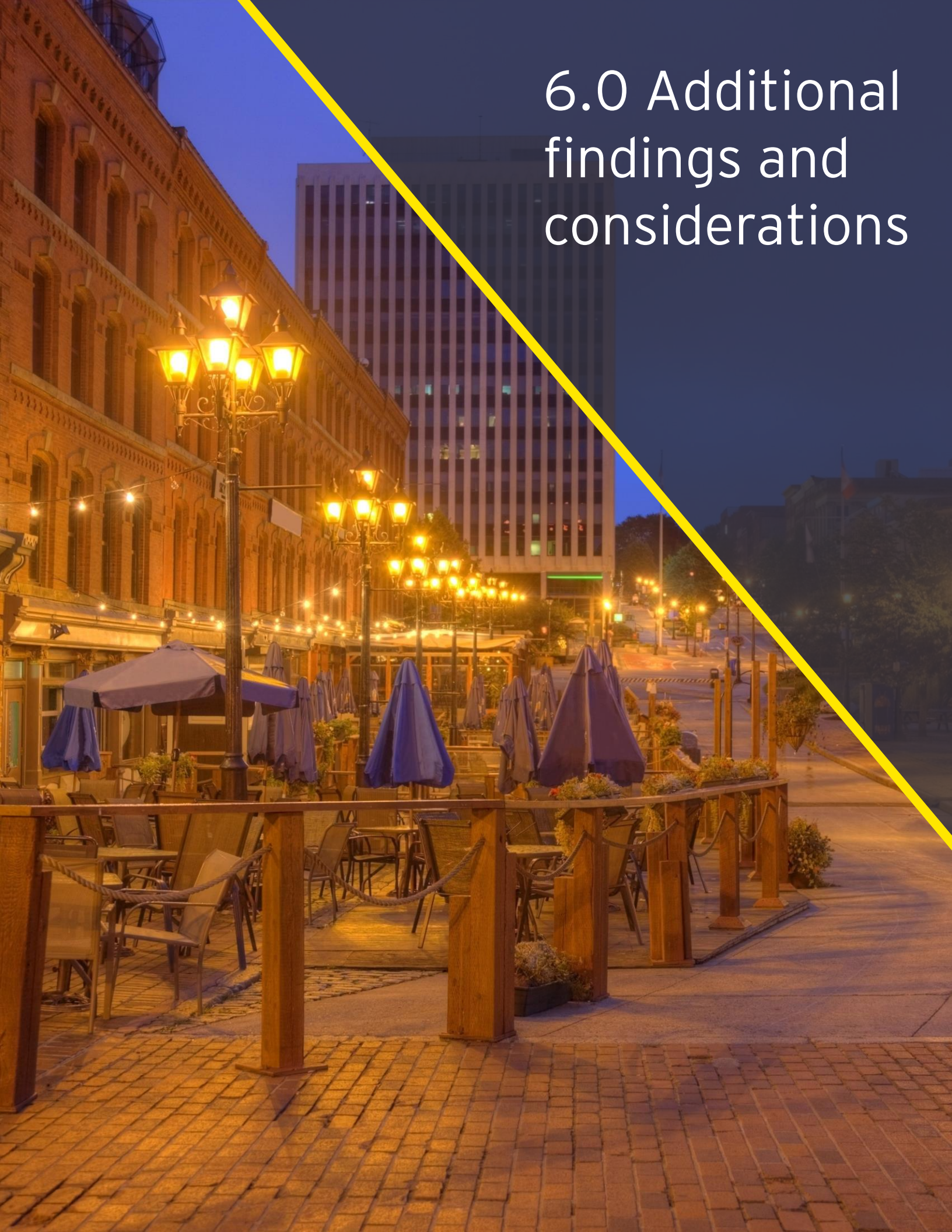


See individual business cases for more details



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

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 ² .	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 ² .	Thunder Bay has a population of 234,177 and is also relatively dense, with a population density of 330.1 persons per km ² .	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 ² .
Geography	The geographic area of Halifax is large at 5,927.54 km ² . 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 ² . 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 ² . 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 ² . 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"> Total number of medium and heavy vehicles (municipal equipment) door rate 	118.09 	102	16.09	+16%
Fire services	<ul style="list-style-type: none"> Fire services total cost per capita Fire services total cost per household Fire services total cost per sq. km 	\$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"> Police services total cost per capita Police services total cost per household Police services total cost per sq. km 	\$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"> Total cost for solid waste diversion per tonne - all property classes 	\$275 	\$83	\$192	+231%
Building permits and inspections	<ul style="list-style-type: none"> Operating cost of building permits and inspection services per \$1,000 of residential and ICI construction value 	\$10.32 	\$4.3 (HFX)	\$6.02	+140%
By-law enforcement	<ul style="list-style-type: none"> Operating cost of enforcement for noise, property standards, yard maintenance and zoning by-laws per 100,000 population 	\$1,402,998 	492,049	\$910,949	+185%
Culture	<ul style="list-style-type: none"> Culture: Total costs per capita 	\$12.60 	\$23.31	\$10.71	-46%
Parks	<ul style="list-style-type: none"> Operating cost of parks per capita 	\$40.25 	\$64.38	\$24.13	-37%
Planning	<ul style="list-style-type: none"> Total cost for planning per capita 	\$17.74 	\$23.505	\$5.765	-25%
Roads	<ul style="list-style-type: none"> Total cost for paved roads per lane KM (hard top) 	\$16,136 	\$11,809	\$4,327	+37%
Sports and recreation	<ul style="list-style-type: none"> Annual number of unique users for directly provided registered programs as a percent of population 	15.71% 	6.30%	0.094	+149%
Transit	<ul style="list-style-type: none"> Total cost (expenses) per revenue vehicle hour 	\$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

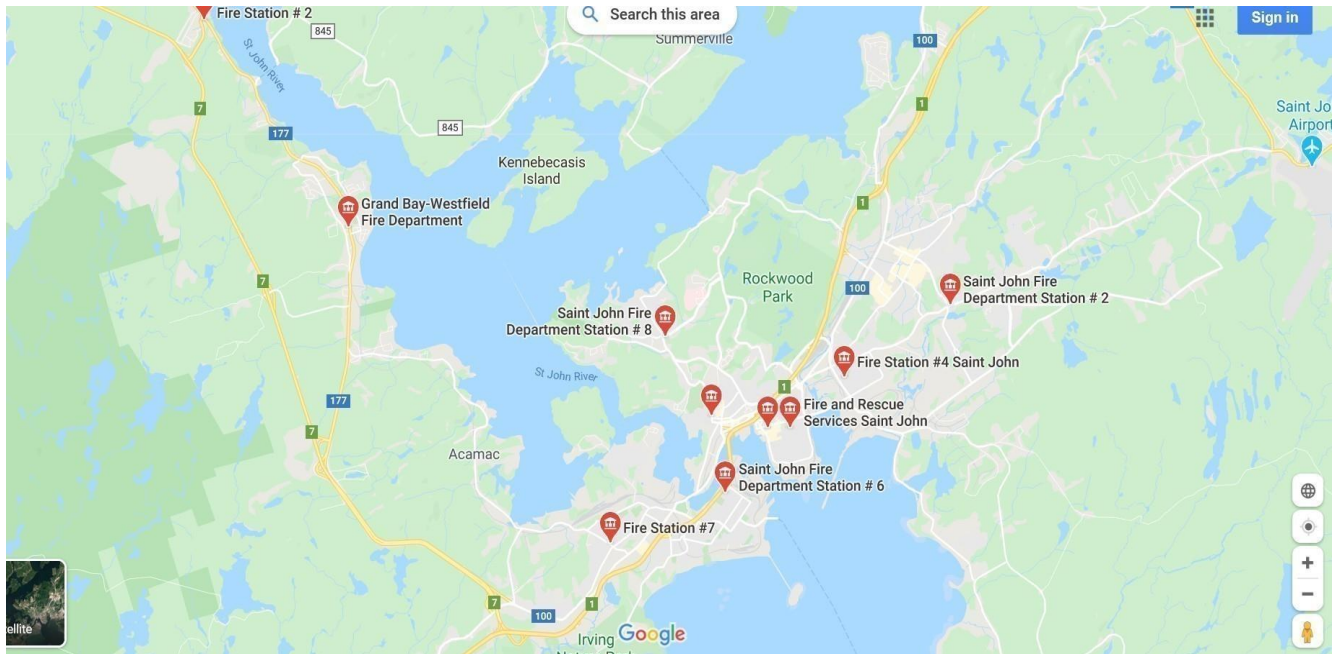
Source of benchmarking data for the City of Saint John is city staff (note that special pensions were not included in benchmarking calculations)

Key location data pulled from the Statistics Canada 2016 Census

Appendix B: Fire services

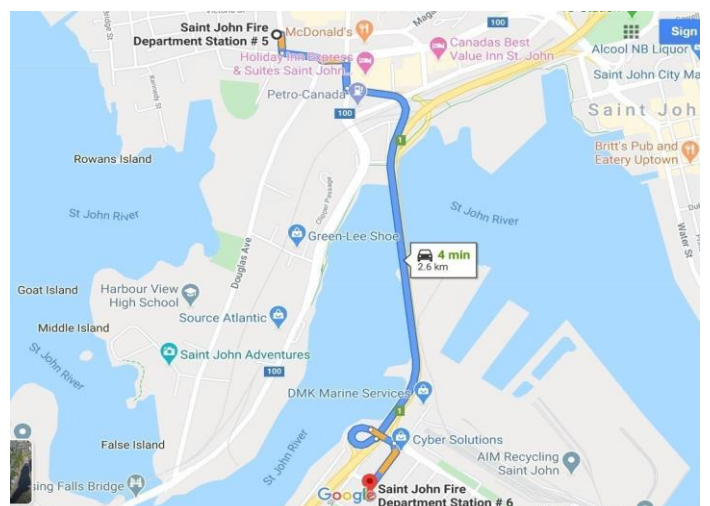
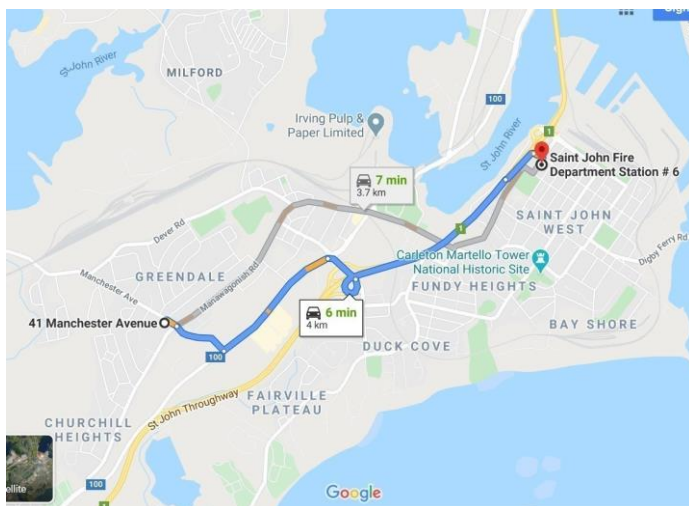


Saint John Area fire stations



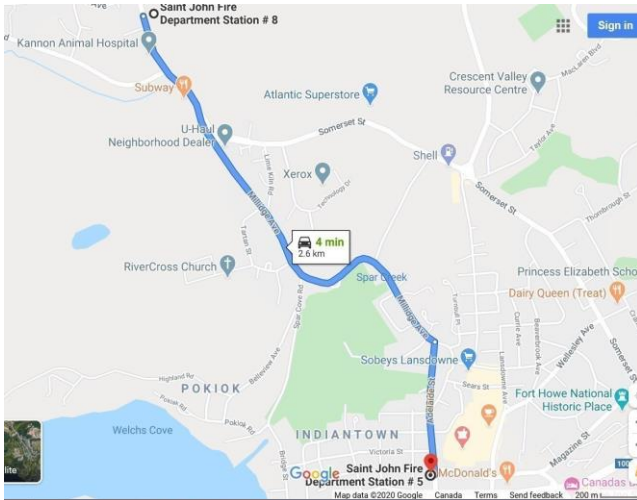
Fire station proximity

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.



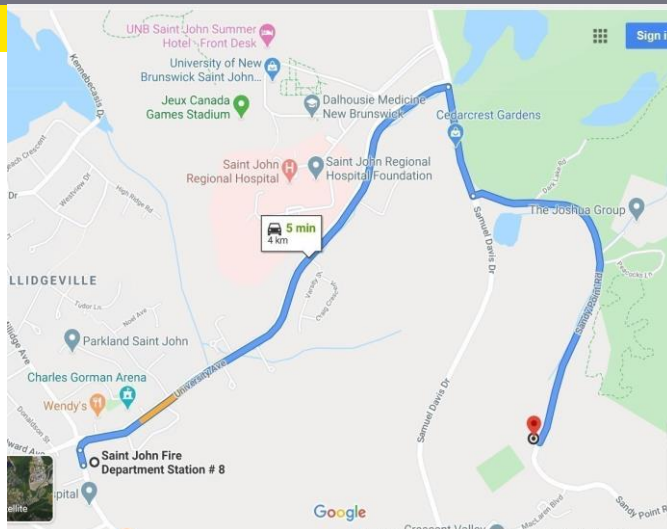
Disclaimer: The source is Google Maps. Please note that fire apparatus could be faster as the public tend to yield to them.

Fire station proximity (cont.)

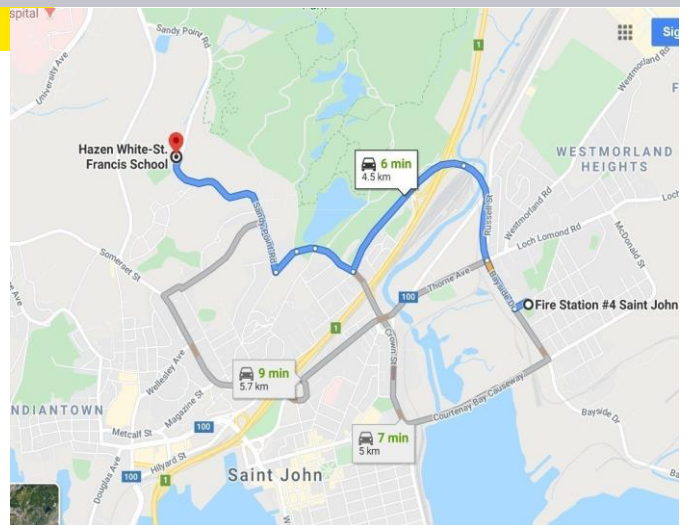


Distance and travel time between Stations 8 and 5 is 2.6km and 4 minutes.

A risk analysis should be performed to support the closure of Station 8.

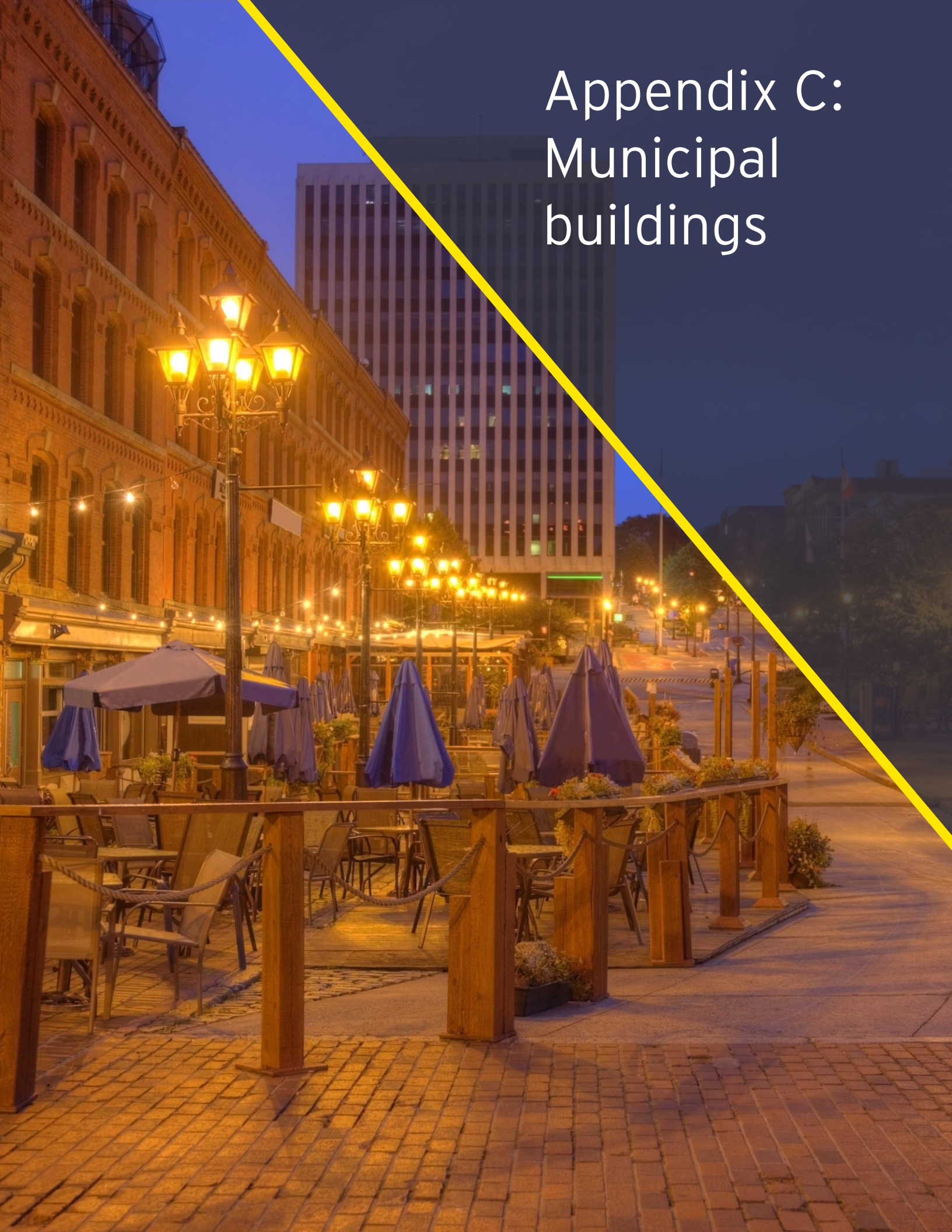


Distance and travel time between Stations 8 and 4 to the middle of Sandy Point Road - Hazen White St. Francis School is between 4-4.5km and within one minute with the new highway interchange.



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)

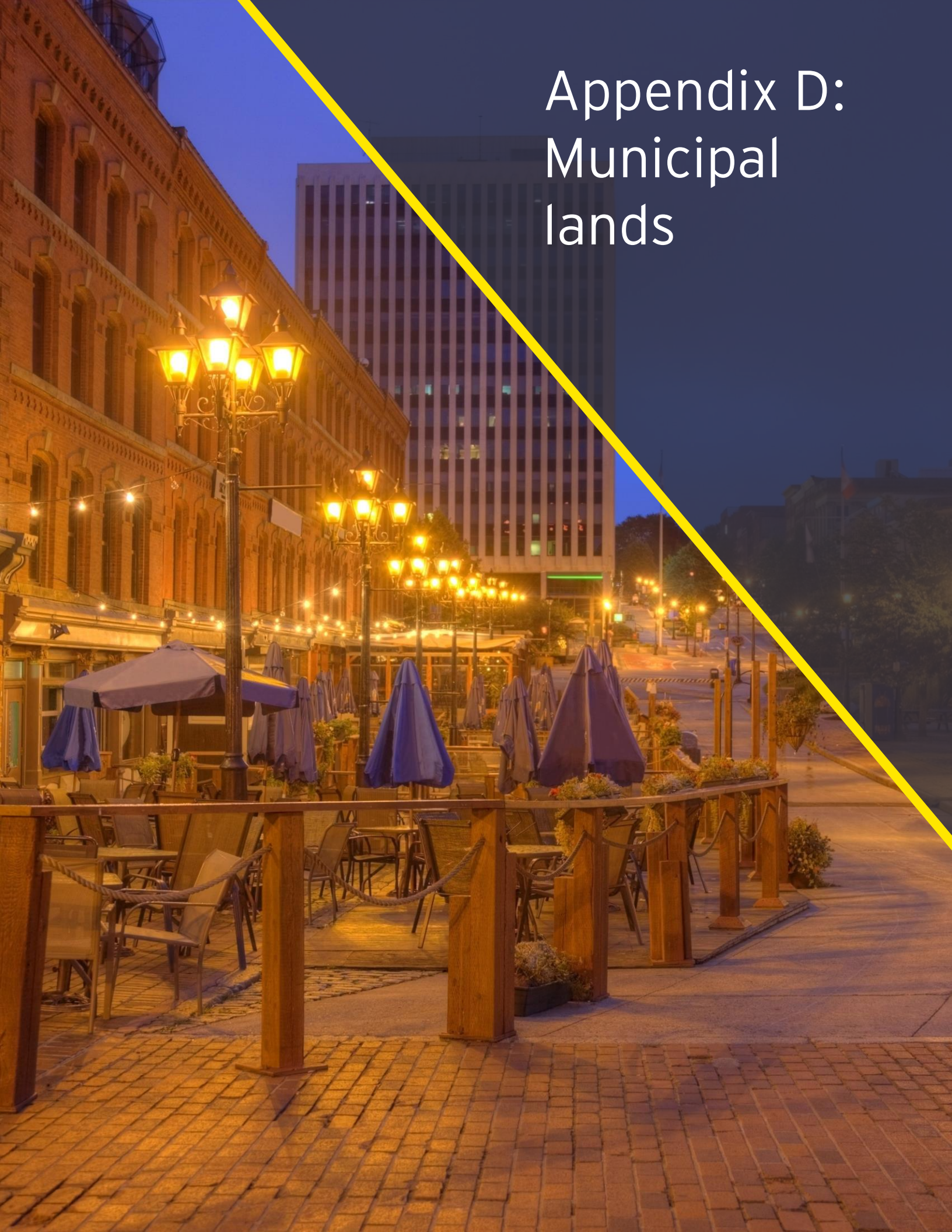
Municipal operations	Location	Type of opportunity	Value of opportunity (2019 assessment)	Occurrence	PAN ID	Opportunity
Municipal Operations Complex	171-173 Rothesay Avenue	Operational assessment	Refer to fleet business case (Not included in 19 municipal building opportunities)	Refer to fleet business 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 ² . 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 ² . 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 ² . 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>Falls View Drive (\$96,100) - 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>Green Head Road (\$76,700) - Formally leased to JDI prior to 2016. Opportunity to lease space or sell. (PAN 01719042)</p> <p>Lock Lomond (\$70,700) - Building was demolished in November 2013, leaving goalposts and fenced court remaining. Opportunity to sell. (PAN 04882886)</p> <p>Fallsview Ave (\$70,000) - (PAN 04087046)</p> <p>Milford Road & Francis Ave (\$69,800) - Donated by Emera Brunswick in 2012. Opportunity to utilize or sell. (PAN 01713818)</p> <p>Lake Drive South (\$45,000) - Beach lot beside Lily Lake Pavilion (PAN 05748580)</p> <p>Kennebecasis Drive (\$39,400) - (PAN 01679755)</p> <p>Sandy Point Road (\$34,700) - (PAN 04667993)</p> <p>Morris Street (\$30,000) - (PAN 03819709)</p> <p>mount Pleasant Ave (\$28,900) - (PAN 06148725)</p> <p>Edgehill Row (\$27,900) - (PAN 01707540)</p> <p>Greendale Cr (\$26,100) - Wooded area in centre of block - Potential for development (PAN 03548162)</p> <p>Silver Falls Park / Mark Dr (\$25,100) - Public Park (PAN 04584632)</p> <p>66 Gaelic Drive (\$296,800) - (PAN 06459817)</p>	One-time sale
Saint John Water	7	\$551,400	<p>Route 820 (\$60,600) - (PAN 03815894)</p> <p>Sands Road (\$55,900) - (PAN 03815860)</p> <p>Route 820 (\$51,500) - (PAN 06564523)</p> <p>Route 820 (\$33,700) - (PAN 03832773)</p> <p>Off Golden Grove Road (\$26,600) - (PAN 03815852)</p> <p>Route 820 (\$26,300) - (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>Smythe Street (\$219,800) - (PAN 01658929)</p> <p>Station Street (\$27,200) - The City purchased this from CN Rail in 2014. (PAN 06388943)</p>	One-time sale
Roads	3	\$181,800	<p>188 Lancaster Ave (\$115,500) - Large, empty lot next to Canadian Union of Public Employees (PAN 01700661)</p> <p>660 Sand Cove Road (\$38,700) - For future Intersection reconfiguration (PAN 05230171)</p> <p>46 Station Street (\$27,600) - (PAN 04729355)</p>	One-time sale
LPP	3	\$76,500	<p>Leeward Lane (\$26,500) - (PAN 05323916)</p> <p>Gault Road (\$25,000) - Opportunity to be used for well & engineered septic for a single family (988 ft^2) (PAN 01720506)</p> <p>Kennebecasis Drive (\$25,000) - (PAN 03884097)</p>	One-time sale
Real Estate	1	\$60,000	<p>Beaverbrook Ave (\$60,000) - (PAN 06297663)</p>	One-time sale
N/A	1	\$41,400	<p>Mispec Beach (\$41,400) - 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)</p>	One-time sale
Surplus	1	\$44,700	<p>MacLaren Blvd (\$44,700) - (PAN 04141272)</p>	One-time sale
Impaired	1	\$33,300	<p>154 Germain Street West (\$33,300) - (PAN 01617321)</p>	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	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. 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. EY recommends and EOI process be released to gauge the current interest in the property.	One-time sale
The Sugar Lands 330 Charlotte St.	\$1,000,000	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). 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. 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) There may also be an opportunity to use Section B as a paid parking lot.	One-time sale
Tucker Park Kennebecasis Drive	\$39,400	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. 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. Note: The property next to Tucker Park with roughly the same land mass is assessed at \$1,743,700.	One-time sale
Harrigan Lake Sandy Point Road	\$24,300	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. 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. 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. 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.	One-time sale
Green View Acres Sandy Point Road	\$25,000	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. EY recommends this area be reconsidered for development and the "Park" designation be reviewed.	One-time sale
The Trail Head Sandy Point Road	\$50,000	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. 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.	One-time sale
The 17th Opportunity Sandy Point Park Road	\$52,400	EY recommends this area be reconsidered for development and the "Park" designation be reviewed. 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. 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.	One-time sale
Rainbow Park Sydney St and Broad St	\$65,500	Rainbow Park (PIDs 885, 893, 919, 927, 901, 2212, 794, 802, and 810) in a large parking lot with potential for development. The City of Saint John has indicated this land is set aside for other uses and opportunities are being explored already.	One-time sale
The Falls View 450 Falls View Dr	\$474,000	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. The owner of the 14 1/2 has shown interest in the land, therefore, EY recommends the City consider the sale.	One-time sale
Total Opportunity Value	\$1,870,600		

Appendix E: Procurement

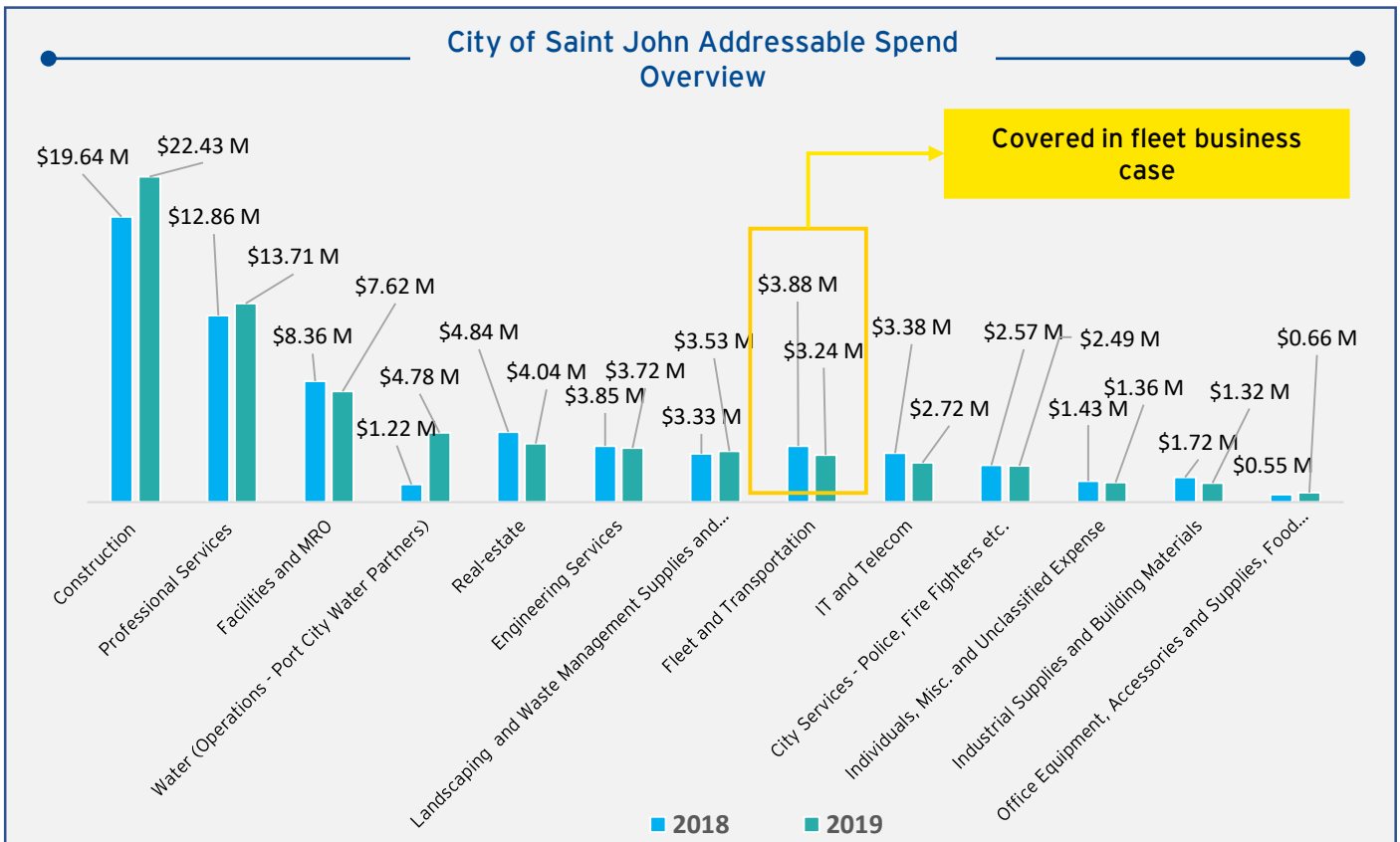
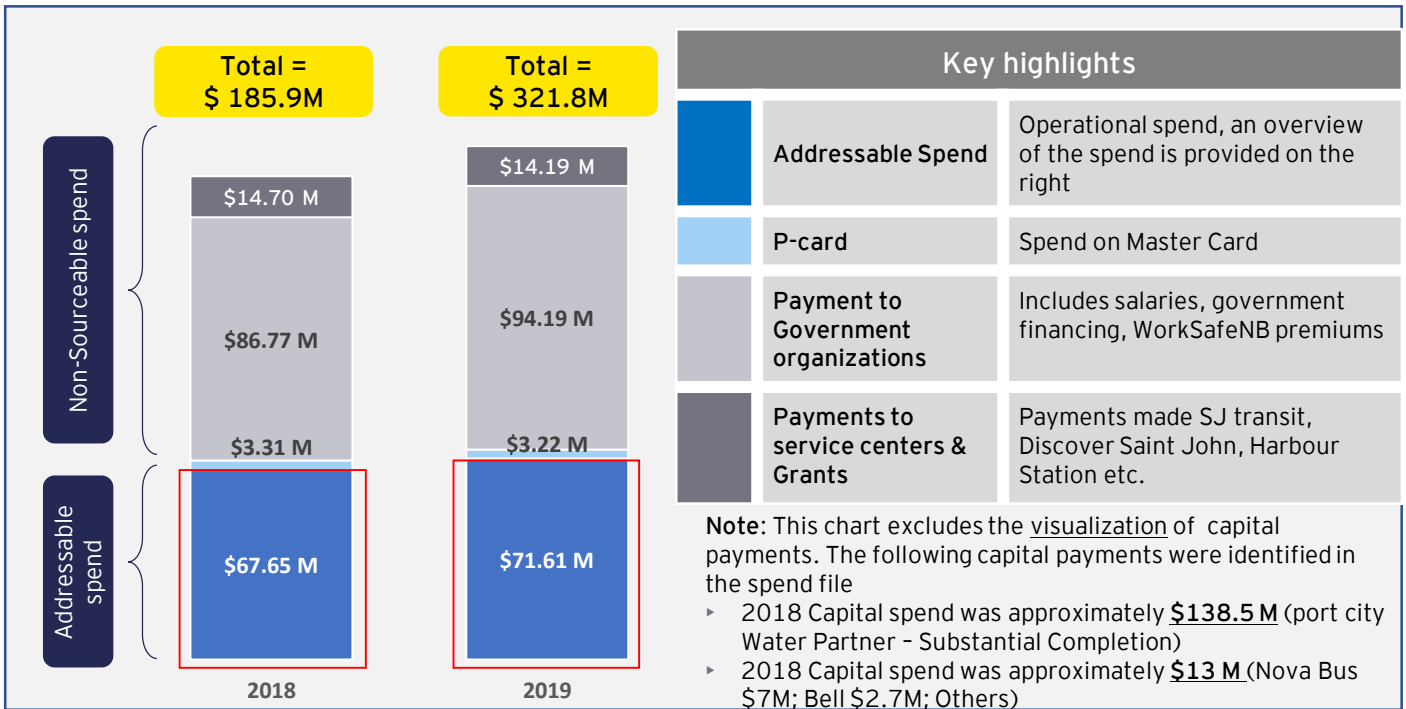


Procurement data

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"> Spend excludes Fleet Spend increased by 7% Spend on Purchase Orders (POs) is approximately 50% (2018) and 54% (2019) 801 vendors (2018); 794 vendors (2019)

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

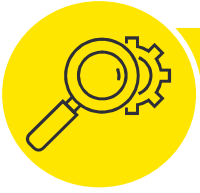
Current state

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.



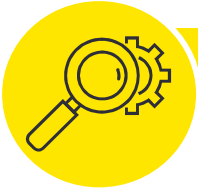
Strengthen the labour relations team

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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