

---

# REPORT TO COMMON COUNCIL



January 18, 2010

His Worship Mayor Ivan Court and  
Members of Common Council

Your Worship and Councillors,

**Re: 2010 GENERAL FUND OPERATING BUDGET**

## **INTRODUCTION:**

A municipal budget is meant to be a plan of action expressed in numbers. It defines the commitments and priorities of the elected Council for their community. The purpose of this report is to lay out the plan of action inherent in the attached budget documentation for 2010 and to highlight some of the issues and challenges facing the community in the months and years ahead.

The framework for the 2010 budget is built around Council's stated priorities for the community and a need to strategically position the City for the future. The additional emphasis given to specific programs and services and the prioritized capital investments contained in the budget reflect these two objectives. Preparation of the budget included consideration of the results of the community survey, the points raised during the ward meetings, the input from the staff survey, and the specific council referrals during the past year

Three common themes readily emerge namely; the need for improved roads, solutions to the drainage problems experienced across the community, and a desire for better recreation services. These priorities are addressed in the context of Council's expressed objective of maintaining or reducing the property tax rate during their term of office.

Short-term objectives cannot be allowed to compromise the long-term financial position or strategic interests of the City. Positioning for the future requires a multi-year time frame as part of our financial planning and a long-term perspective when considering the merit of individual capital investments. This approach will help to avoid an unsustainable debt burden, prevent tax rate shock and ensure that sufficient flexibility exists in the future to respond to new challenges and take advantage of emerging opportunities.

Sound debt management, affordable wage and benefit costs, a new community plan, a focused intergovernmental relations program, a stable and sustainable tax rate and a move to a service-based budgeting approach are elements that will contribute to this objective.

### **BUDGET IN BRIEF:**

The proposed 2010 General Fund operating budget totals \$134,203,729 which represents a \$7.3M or 5.72 percent increase over 2009. These program expenditures are funded from property taxes (78%), transfers from the Province of New Brunswick (14.5%) and Non-tax revenues from fees, fines, service charges etc. (7.5%). It is important to note that as the provincial transfer payments have remained at the same level for several years, the City must of necessity rely more and more on property tax revenues to fund needed services and inflationary cost increases.

The proposed budget provides increased resources for contracted asphalt repairs as part of a three year program to increase funding from \$2.0M per year to \$3.0M per year and also includes an additional \$250,000 for ongoing asphalt maintenance work. The asphalt budgets will continue to increase in future years. An amount of \$756,500 is included to fund the development of a new community plan for the City. This is a legacy project that will directly influence the character and development of the community for decades to come. The Leisure services budget will increase by almost 5.0% and will allow for additional funding for neighbourhood centres, a new focus on developing green spaces and trails within the City, a larger commitment to the Pro-kids program and additional staffing for recreation programs.

Programs beyond traditional municipal services are important to the overall development of the community and funds have therefore been included to;

- assist the Arts and Culture Board (\$80,000)
- fund the 225 Original City project (\$150,000)
- host the 2010 Jeux de l'Acadie (\$20,000)
- maintain the Neighbourhood Development Program (\$150,000)
- provide assistance to Non-Profit Housing projects (\$25,000)
- support the UNBSJ capital campaign (\$200,000)
- assist development of the Loch Lomond Community Centre (\$45,000)
- sustain a number of festivals (Jazz and Blues/Salty Jam \$20,000, Festival de la Baie Francaise \$5,000, Fundy Bay Festival \$7,500, South End Days \$1,000)
- contribute to Saint John Theater Arts (\$10,000)
- operate the Cherry Brook Zoo (\$60,000)

The municipal tax rate remains at \$1.785 per \$100 of assessment. The rate suggested in the Provincial Government's so-called accountability mechanism is simply unattainable. Fixed costs for such items as rent for City Hall, common area charges for Market Square, charges for property assessments etc. have increased by over \$1.65M alone. Contracted wage increases will absorb an additional \$2.0M while pension funding obligations will take up another \$563,000.

The number of personnel employed by the City is a key factor in our cost of operations as well as our ability to provide quality services. The Establishment for 2010 is proposed to increase by 3 positions over 2009 from 680 to 683 (Appendix C). In one instance a contract position will be converted to a full time position at a lesser overall cost to the City and in two other instances casual administrative positions that have been in place for some time are being recognized as permanent positions.

The City is also making a transition to a service based budgeting approach during 2010. A service based approach better links the resources and level of effort committed to a particular service with the outcomes actually achieved. Once fully implemented, Council will be able to make better expenditure decisions based on desired service outcomes. The attached budget documents are presented in the traditional departmental format. Detailed service based information including service delivery plans and budget allocations have been prepared for all city services and this new format will be presented to Common Council in early February to allow for a comprehensive review.

### **COUNCIL PRIORITIES:**

Common Council has agreed upon a series of explicit priorities for the community. Some will require multi-year commitments in the capital budget (wastewater treatment) and others can be addressed more rapidly in the annual operating budgets (volunteer recognition). Included within the various departmental and service budgets is provision for a number of these initiatives. The 2010 budget is directed at making progress on four particular priorities; a new community plan, road resurfacing, improving recreation services and storm water management.

**Community plan** – development of the new community plan is a key priority that will have significant implications for the nature, location and pattern of future development in our community for years to come. This is the first year of a two year planning exercise that will involve extensive community consultation. The budget includes \$756K in new funding to engage the required expertise, open a store front office, conduct the required research and undertake the community consultations. A growth strategy for the community and sub-plans for the Sandy Point Road and Fairville Blvd areas will be completed by year end.

**Roads** – street maintenance has been identified as an area of concern by the community. Council has adopted a policy goal for improving road conditions based on a target Pavement Condition Index (PCI) of 70. The policy anticipates increased efforts in localized repair, preventative maintenance and major rehabilitation or reconstruction. The budget to purchase asphalt for localized repair (safety) has been increased from \$455K to \$700K with a two year goal of reaching \$1.0M. The budget for maintenance resurfacing asphalt purchases currently at \$2.1M is being increased by \$330,000 to \$2.43M. This is the first step in a three year plan to achieve a funding goal of \$3.1M annually by 2012. Additional funding is included in the capital budget for major street reconstruction projects.

**Recreation** – periods of restraint have meant that the resources committed to recreation and parks programs and facilities have diminished noticeably in the past decade. Council is committed to re-

investing in both infrastructure needs and improved programming. In 2010 it is anticipated that Leisure services will complete a strategic plan to guide future investments, the summer playground programs will be enhanced with particular attention given to the priority neighbourhoods, two special recognition events will be held for our community partners and volunteers, funding for Pro-kids will be increased to increase opportunities for youth to participate in activities of their choice, scheduling and maintenance of sport and recreation facilities will be revised, targeted improvements to green space including tree planting and initiation of a City wide trail network will begin. The capital budget will also include provision for renovations to the Carleton and North End Community Centre as well as improvements to Rockwood Park and Shamrock Park.

**Storm Water Management** – changing weather patterns, aging infrastructure and increased development have each contributed to a series of neighbourhood flooding issues. These floods impair property values, increase insurance claims, destroy personal belongings and impair citizen's quality of life. Council has directed that action be taken to find solutions to these flooding 'hot spots'. Developing effective solutions requires careful analysis to avoid worsening a situation or just moving the problem downstream. The 2010 operating budget provides \$3.4M for the ongoing storm water maintenance program across the City and the capital budget provides funding for 14 projects in the areas most affected.

**Departmental Initiatives** – in addition to meeting their day to day service objectives each departmental budget includes initiatives that will either contribute to or accomplish one or more of the full range of Council identified priorities. A brief listing is set out in the attached budget summary (Appendix 1). It is anticipated that a mid-year report card will be issued on progress and a similar report outlining achievements at year end.

#### **POSITIONING FOR THE FUTURE:**

The policy decisions and administrative actions taken today can and will impact the future operations of the City. This budget contemplates a number of specific actions that will help to ensure that the City will have the resources to grow and prosper in the future without imposing an undue tax burden on the homeowners and businesses in our community.

**Spending caps** – the 2010 operational funding requests from the Fire and Police departments exceeded 44.4 million dollars compared to \$42.2 million in 2009. Arbitrated/negotiated wage increases account for the vast majority of the additional budget requests. The rate of increase is simply unsustainable over the long-term and will compromise our ability to provide other need services if left unchecked. In fact, the rate of growth in both departments has far outstripped the rate of inflation since 2002.

New approaches to service delivery must be identified and implemented. The 2010 budget reduces the fire and police departmental requests by \$296,000 and \$249,000 respectively for the coming year and calls for spending caps of 1% to be imposed in each of 2011 and 2012. This approach will provide each department with certainty as to future funding levels and a 12 month window to develop business plans

to allow them to operate within these funding levels. Even at these funding levels, fully one third of the 2010 operating budget will be applied to fire and police services.

The current rate of attrition/retirement in both areas should preclude the need for layoffs during this period. Given that both the Fire and Police departments will begin new rounds of collective bargaining in 2010 there is a real opportunity for the representatives of Locals 771 and 61 to demonstrate leadership in addressing the financial challenges.

The cost of supporting the public transit system has also grown considerably in recent years. The 2010 budget provides an additional \$994,000 in funding to subsidize operations and support new capital debt retirement. In addition, the budget contemplates a successful appeal of the property assessment on the newly constructed Transit facility.

The need for public transit is real and the merit of the program is beyond question, however, the level of service provided must be commensurate with our ability to pay. It is proposed that the level of funding support in 2011 and 2012 also be capped at a 1% annual increase from the 2010 level. This will provide an opportunity for the Transit Commission to carefully evaluate routes, rates etc. during the coming year in order to adjust to the specified funding limits.

**Pension Reform** – the City as the plan sponsor has undertaken a structural review of the pension plan with Morneau Sobeco and has begun a consultation process with the beneficiaries of the plan and the Pension Board with the support of the AON consulting group. The City as the plan sponsor has a legal obligation to make the required plan contributions. The fact remains that the plan is seriously underfunded and the long-term funding requirements of the current plan cannot be met by the City without a substantial tax hike.

The City has benefited from a supplementary contribution of 2 percent of salary from all employees for the past 3 years. This arrangement concludes in May 2010. The 2010 budget includes an additional \$563,000 to offset the return to normal contribution levels.

Based on the best current information it is estimated that the City's contribution to the pension plan would have to increase by another \$10-11M in 2010 in order to fund the going concern deficit under the current plan provisions. The 2010 budget is predicated on obtaining a one year deferral for this supplementary funding while the reform process is underway. The pension funding mechanism is complex and involves not only funding levels but also a series of long-term actuarial assumptions, investment policies, provincial and federal statutory requirements and benefit levels. The outcome of these discussions is uncertain at the moment. Simply put it would be premature to force a contribution of such a large sum to the plan, based on the current plan provisions, when the reform process should actually result in a substantially smaller amount being paid into the fund.

The ability to secure a one year deferral is critical to the overall 2010 budget process. The alternative is an approximate 18 cent tax hike or a \$10-11 million reduction in services. Neither option is realistic and the severity of both consequences underscores the need for definitive action in reforming the pension

plan. That said the outcome of the pension reform discussions cannot be left to proceed indefinitely. In order for a deferral request to be given serious consideration by the regulatory authorities, it will be necessary to table a reform package with the Provincial legislature this fall. Both the pension reform process and securing the needed deferral will require the active political support of the local MLAs.

**Debt Management** – the proposed budget includes \$13.1 million in annual payments to retire the City's debt obligations. The current level of debt is well within established guidelines however the current level of capital expenditure is such that it could drive these costs up significantly in future years. Money spent on debt is not available for programs and services.

The 2010 plan includes the development of a revised multi-year debt management policy to determine our borrowing capacity in the next decade. This in turn will establish our ability to make needed capital investments. The demand for investments will always outstrip our ability to pay and it will be necessary to prioritize these expenditures in order to provide the greatest value to the community.

**Service Based Budget** – our citizens and ratepayer have repeatedly expressed their desire to have municipal services delivered in a more effective and efficient manner. The City has adopted an Accountability Framework that aims to create a strong focus on results. It will establish clear outcomes for all services and focus on continuous improvement and measuring and reporting on actual results. Service based-budgeting is an essential component to the development and implementation of an effective accountability framework. It is an integrated annual performance plan and annual budget that shows the relationship between funding levels and expected results on a service by service basis.

**Performance Management** – inherent throughout the various program budgets is a commitment to introduce a corporate wide performance assessment system. From a human resource perspective, performance reviews will be instituted for all managers and employees during the course of 2010. From an operational perspective performance objectives and targets will be set for the key service areas and a measurement and reporting system implemented. The purpose is twofold; first to identify gaps or needed improvements in order to address them on a timely basis, second to ensure that the services we offer and the individual efforts of our employees are aligned with the City's strategic goals, objectives and priorities.

**Reorganization** – in order for the City, as a public service organization, to function efficiently and effectively we need to have a clear sense of common purpose, be properly structured and well organized and be adequately resourced with the right people with the right skill sets. The City has in the last two years developed a vision statement, established long-term goals and priorities and Common Council has since identified a series of specific actions that are to be undertaken as part of its mandate. What must be done is clear. How we are organized in order to achieve these priorities and meet our service objectives must be revisited. A number of actions are planned for the coming year to better position the City to become a high performance organization with a commitment to service excellence. The budget impact in 2010 will be insignificant however the way we do business will change as roles, responsibilities and reporting relationships are adjusted.

**Intergovernmental Relations** – the City is in many ways not the master of its own destiny. The City derives its legislative authority from the Province, is dependent on the Province for annual funding support, must accommodate new policing or work place standards set by the Province and must adjust its capital spending priorities to align with ever changing federal/provincial infrastructure initiatives to highlight but a few areas where the relationship with the Province is critical. The City will be proactive in its approach to ensure that the needs and interests of the City of Saint John are well communicated and adequately addressed by the other levels of government.

**Economic Development** – the City invests heavily in a range of economic development initiatives. Operating funds for Enterprise Saint John, the Trade and Convention Centre, the new Destination Marketing Organization, the Waterfront Development Committee, the Regional Facilities Commission, and Saint John Industrial Parks are all part of this commitment. Enterprise Saint John is committed to developing a new multi-year strategic plan. A new municipal plan will also contribute a comprehensive policy framework to support ‘good’ development practices. Other City departments also have a direct responsibility to facilitate economic development activity through sound policy development and active support of various development initiatives. The City will develop a more coordinated and responsive approach to support major development projects by working with and through the various agencies already in place.

**Revenue Generation** – the City depends on property taxes as its one key source of revenue and a transfer payment from the Province as its second most important source. The limited range of revenue sources and the fact that we are vulnerable to changes in provincial policies or funding allotments makes the need for identifying and generating alternative sources of revenue a priority. A Council committee is working with the Commissioner of Finance to develop viable alternatives. This is a longer-term initiative that may result in the need for changes in provincial legislation and/or forward thinking policy decisions on the part of Council. The need for new, reliable revenue sources also underscores the importance of generating new investment in the community in order to generate new wealth.

#### **CITIZENS AND CITY HALL:**

The City operates to provide services to its citizens. Citizens should have a good understanding of what is being done, why it is being done and how much it is costing them. They must also have an opportunity to interact with their elected representatives and the people who administer and deliver the various services they rely upon. It is equally important that the leadership in the organization be aware of and fully understands the needs and priorities of the community. A number of initiatives that will provide opportunities for better communication between the citizens and city hall are planned for the coming year.

**Community Survey** – the City will again conduct a formal Citizen Survey at mid-year to help determine needs and priorities and to assist in assessing how well our services respond to community expectations.

**Ward Meetings** – meetings in each of the four wards will be scheduled for April/May to permit citizens to raise their ideas/issues/concerns directly with their ward Councillors. Senior staff will be available at these meetings to respond to immediate concerns and to take note of the various matters that are brought forward.

**Enhanced External Communication** – the City now has a fully staffed communication unit in place. Much of the effort of this unit to date has centered on staffing, developing internal practices and procedures and providing tactical communications support to various services and events. In the coming year a greater emphasis will be placed on direct citizen/stakeholder communication. This will involve the introduction of at least three direct mailings to Citizens/Ratepayers to provide greater details on the City's Programs and Services and stronger strategic messaging on the role that the City plays in moving our community forward.

**New Website** – more and more citizens and businesses are relying on the internet as not only a source of information but also a means of transacting business. The City will be completely revamping its website to make it more informative, more interactive, more functional and more user-friendly. The new website is targeted to be online by June of 2010.

**Customer Service** – the feedback we receive from citizens clearly underscores the need to improve our ability to respond to their inquiries and requests for service. This is not simply a matter of improving the way we answer telephone calls. Our Citizens want to see results from their requests. The challenge is that the City has multiple departments, operates from multiple locations, and offers dozens of programs and services making the tracking of frontline service delivery an ongoing challenge. A new customer service model will be introduced in 2010 that will ensure that requests for service are easily directed to the area of our organization where responsibility for action resides and are responded to in a timely manner.

#### **ISSUES AND UNCERTAINTY:**

The City operates in a dynamic political, social and economic environment. As much as plans and priorities can be laid out at the beginning of a year, rapidly changing events beyond the control of the community and just as likely new opportunities will arise that may necessitate changes in direction. Some of the more significant issues on the horizon that Council should be aware are set out below.

**Collective Bargaining** – the City will begin the collective bargaining process with three locals (CUPE Local 61, CUPE Local 18, IAFF 771) that together represent approximately 600 employees. The results of these negotiations will impact our cost structure, our ability to provide quality services, our effectiveness and our efficiency as an organization. Finding a satisfactory resolve that balances the best interests of the community with the economic interests of the respective employee groups will be a challenge.

**Pension Reform** – as noted earlier in this report the need for meaningful pension reform is absolutely essential. What form that takes is not as important as that it eliminate the financial burden on the plan sponsor i.e. the City. This is a complex issue and there are a multitude of parties that are or will be

involved in the reform process (employees, retirees, Pension Board, Council, MLAs, actuaries, provincial officials) and their obligations and interests are not the same. Concrete action is required and success will depend largely on determined leadership, cooperation and compromise.

**Provincial Funding Support** – the City must of necessity rely on funding support for both day to day operations and major projects. The City’s ability to pursue certain capital projects will depend heavily on the Province’s ability and willingness to support the various initiatives that are presented. A coordinated approach to seeking funds will be essential for success.

**Provincial Election** – a provincial election is scheduled for the fall of 2010. Regardless of the outcome, new priorities, changing policies, and new initiatives can be expected to result. These changes may present timely opportunities or new challenges for the City before the end of the year. Common Council will have a key role to play in advancing the communities interests as the election process unfolds.

**Human Resources** – the City currently employs approximately 800 people (including police). A recent review has indicated that over 125 employees will be eligible to retire within the next three years. On the one hand this presents an enormous challenge in that a range of experience and corporate knowledge will leave the organization. On the other hand, it will offer the City a real opportunity to attract new talent with different skill sets to the organization that will help us to better respond to the needs and issues of the future. A greater emphasis on human resource matters will be a necessity in the future.

## **CONCLUSION:**

The 2010 budget represents a deliberate effort to address Council’s identified priorities while acting in a fiscally responsible manner. The budget attempts to balance the need for investments in social, cultural, and development initiatives with the need for quality and reliable recreation, road, fire and police services. A stable tax rate, controlling future expenditure commitments, sound debt management, forward looking land use planning, and supporting good economic development are ingredients in building a positive future for our community.

## **RECOMMENDATIONS:**

It is recommended that Common Council approve the 2010 Operating Budget for the General Operating Fund and adopt the following resolutions;

**WHEREAS** the base 2010 property tax rate for the City of Saint John calculated under Section 5:01(2) of the Property Tax Act is \$1.7308 and,

**WHEREAS** the 2010 revenue requirement of the City of Saint John is greater than the amount generated by this rate;

**THEREFORE BE IT RESOLVED:**

1. That the sum of **\$134,203,729** be the total Operating Fund Budget of the City of Saint John for 2010 as detailed in the attached Appendix A, and,
2. That the Warrant for the City of Saint John for the year 2010 be approved in the amount of **\$104,621,717** and;
3. That the tax rate for the City of Saint John be **\$1.7850** in accordance with Subsection 5.01(3)(b) of the Real Property Tax Act, and;
4. That Common Council orders and directs the levying by the Minister of Local Government of said amount on real property liable to taxation under the Assessment Act within the City of Saint John.
5. That Common Council authorizes the Commissioner of Finance to disburse, at a time acceptable to him, to the named Commissions, Agencies and Committees, the approved funds as contained in Appendix B, and;
6. That Common Council approves the 2010 Establishment of Permanent Positions as detailed in Appendix C, and;
7. That Common Council repeals the Policy directions for 2010 and beyond adopted on January 19, 2009 and;
8. That the budget submissions from City Administration and City funded Agencies, Boards and Commissions for 2011 and 2012 shall not exceed 104% of the immediately preceding year with the exception of the Fire Department, the Saint John Board of Police Commissioners and the Saint John Transit Commission whose budget submissions for 2011 and 2012 shall not exceed 101% of the immediately preceding year, and;
9. That the Commissioner of Finance be directed to prepare a Debt Management Policy for the City of Saint John for consideration by Common Council.

Respectfully submitted,

J. Patrick Woods, CGA  
ACTING CITY MANAGER

ATTACHMENTS

