



SAINT JOHN

Title: Wage Escalation Policy

Subject: **Wage increases**

Category: **Finance and Administrative Services**

Policy No.: **FAS-007**

M&C Report No.: 2019-245

Effective Date: 2019-09-23

Next Review Date:

Area(s) this policy applies to: **Cross Corporate**

Office Responsible for review of this Policy:
Finance and Administrative Services

Related Instruments:

- FAS-001** Asset Management Policy
- FAS-002** Investment Management Policy
- FAS-003** Reserves Policy
- FAS-004** Operating Budget Policy
- FAS-005** Capital Budget Policy
- FAS-006** Debt Management Policy

Policy Sponsors:

Commissioner of Finance and Administrative Services

Document Pages:

This document consists of 5 pages.

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Common Clerk's Annotation for Official Record

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I certify that this Policy was adopted by Common Council as indicated above.

Common Clerk

September 24, 2019

Date

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Contact:
Finance and Administrative Services



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1. PURPOSE AND CONTEXT

- 1.1. For the first time, the City is developing a long-term financial plan that will put the City on a sustainable path going forward. To be sustainable, the City must find ways to control costs that have been escalating faster than its revenue growth.
- 1.2. In 2019, wages and benefits account for 57% of the total Operating Budget. To be sustainable, wage increases align with tax base growth.
- 1.3. From 2014 to 2019, wages & benefits have increased \$8.9 million while tax revenue has increased only \$5.9 million.
- 1.4. Wage escalation policy provides direction to staff and ensures that ability to pay is a consideration in future labor contract negotiations.

2. POLICY STATEMENT

- 2.1. The Wage Escalation Policy is established to ensure that the City is on a sustainable path by aligning expenditure growth with tax base growth.
- 2.2. The Wage Escalation policy objectives are as follows:
 - The City spends within its means;
 - Wage escalation does not cause a tax rate increase in order to balance the General Operating Budget;
 - Wage escalation does not cause a reduction in service levels in order to balance the General Operating Budget;
 - Wage escalation does not exceed the City's assessment base growth;
 - All employee groups are treated equitably.

3. DEFINITIONS

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

4. PRINCIPLES AND APPLICATION

4.1 Principles:

- 4.1.1 Wage increases must be affordable;
- 4.1.2 Wage increases must not exceed the assessment base growth;

- 4.1.3 Notwithstanding clause 4.1.2, wage increases cannot exceed CPI plus 1% unless it is supported by a business case and approved by Common Council;
- 4.1.4 Bargaining or non-bargaining employees are treated equitably.

4.2 Application:

- 4.2.1 The City Manager shall recommend increases to wages and benefits budget in accordance with the Wage Escalation Policy;
- 4.2.2 Recommendations for increase in the wage and benefit budget shall be based on the previous three year rolling average of Assessment Base Growth;
- 4.2.3 Utilizing a Three Year Rolling Average is a recommended approach due to the following factors:
 - The fluctuation in the assessed value of properties for tax purposes will be smoothed out by the rolling average;
 - Historical trend can help predict future growth;
 - The Three Year Rolling Average is a reliable source of information that can be validated;
 - A compensation model based on the Three Year Rolling Average is predictable, affordable and equitable.

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

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

- 4.2.4 In any case, the increase in the wage and benefit budget shall not exceed CPI plus 1% unless it is supported by a business case and approved by Common Council.
- 4.2.5 Any wage increases for employee groups that are beyond the City Manager’s recommendation may result in a corresponding reduction in the workforce of those particular groups.

5. ROLES AND RESPONSIBILITIES

5.1 Council shall:

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

5.2 Finance Committee shall:

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

5.3 The Finance Commissioner shall:

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