

COMMON COUNCIL REPORT

M&C No.	2022-378
Report Date	December 05, 2022
Meeting Date	December 12, 2022
Service Area	Strategic Services

Her Worship Mayor Donna Noade Reardon and Members of Common Council

SUBJECT: 2023 General Fund Operating Budget

AUTHORIZATION

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

RECOMMENDATION

RESOLVED:

1. That the sum of \$177,287,500 be the total General Operating Budget of the City of Saint John for 2023.
2. That the sum of \$142,105,410 be the Warrant of the City of Saint John for 2023.
3. That the tax rate for the City of Saint John be set at \$1.62.
4. That the City of Saint John set the property tax rate for Heavy Industrial Class at 1.7 times the residential rate.
5. That the City of Saint John set the property tax rate for Non-Residential Class at 1.7 times the residential rate.
6. That Common Council orders and directs the levying by the Minister of Environment and Local Government of said amount on real property liable to taxation under the Assessment Act with the municipality of Saint John.
7. The Common Council authorizes the Chief Financial Officer to disburse, at a time accepted to him, to the named Commissions, Agencies and Committee, that approved funds as contained in the 2023 General Operating Budget.
8. That Wage Escalation Police apply to the Management Professional Group.
9. That Common Council approves the 2023 establishment of permanent positions at 590.

EXECUTIVE SUMMARY

The 2023 General Operating Budget was presented to Common Council at its meeting held on November 28, 2022. The purpose of this report is to recommend Common Council approve the 2023 Operating Budget and attached resolutions.

PREVIOUS RESOLUTION

M&C 2022-359 – 2023 General Fund Operating Budget – “It is recommended that Common Council reflect upon the proposed 2023 General Fund Operating Budget, make all inquiries to staff and receive and file this report and presentation.”

REPORT

The proposed 2023 General Operating Budget totals \$177,287,500, up 7.63% year over year. The budget includes a property tax rate reduction of 9.0 cents, from \$1.71 to \$1.62 per \$100 of assessed value. The budget also incorporates moving the tax ratio for Non-Residential and Heavy Industry classes from 1.5 to 1.7 which aligns with the City’s strategy on tax reform.

REVENUE

Property tax assessment has increased based on a growth rate of 8.76% due a strong residential tax base growth of 12.24%. The growth rate can be split between market adjustments at 7.41% and new construction of 1.35%. The proposed reduction of the tax rate to 1.62 and increasing the property tax differential on Non-Residential and Heavy Industry from 1.5 to 1.7 results in an increase of annual property tax revenue of \$10,626,544 or 8.08% over previous year.

The annual equalization and unconditional grant saw a reduction of \$1,325,687 or **-7.96%**. This reduction will be partially offset by a onetime Regional Service Grant of \$546,630 as the new Regional Services Commission model enters its first year of operation in 2023.

Revenue also includes \$1,012,000 from Saint John Energy in relation to the benefits derived from the Burchill Wind Farm project, along with \$1,753,145 surplus from 2021. Also included is \$800,000 from the operating reserve to fund the Community Services Reserve.

Own source revenues are budgeted at \$15,684,560 which is an increase of \$1,455,743 or 10.23% over last yar. This includes a significant increase in accommodation levies over previous year at \$1,193,000 as the hotel industry returns to pre-pandemic levels and interest revenue budgeted to be more due to the increase in interest rates.

EXPENDITURES

Overall expenditures are up year over year by \$12,565,642 or 7.68%. Wages and benefits are within wage escalation policy with an increase of \$4,690,104 or 5.3% over previous year. Goods and Services are increasing by \$3,353,778 or 8.18% and the increase is due to several factors such as inflationary increases in fuel, asphalt,

repairs and maintenance. There is an increase in assessment charge due to an overall increase in the tax assessment and there is funding for professional and contracting services for various initiatives related to strategic plans.

The City's grants to Agencies, Boards and Commissions will see an increase of \$1,511,938 or 12.18% over previous year. This includes an increase in the Transit subsidy as this service continues to reinvent itself, along with additional costing for the new Regional Service Commission. The increased cost to Envision SJ relates to the increase in accommodation levies expected in 2023 which essentially flows through to Envision, and Unspecified Grants was increased by \$50,000 for a total of \$234,000 for 2023.

Fiscal and other charges have an increase of \$3,009,822 or 13.36%. Capital from operating increased by \$1,350,000 and aligns with the Long-Term Financial Plan targets. There is an additional increase to the Reserves of \$2,710,000 of which a large portion will go to the establishment of funding for future recreation facilities.

Council Priorities/Strategic Plan/Service Delivery

The 2023 budget addresses multiple elements of the 10-year strategic plan, Council Priorities, and addresses service delivery. The following list are highlights from the various service areas which have one time funding and recurring expenditures.

- Reinstatement of cutting grass – additional resources to mow various medians and other areas throughout City
- Additional resources to maintain the new public space at Fundy Quay
- Professional development funds for Mayor and Council
- Budget for Professional Services
 - Legal work for elements of Strategic Plan
 - 10 Year HR Strategy and Employee Performance System
 - North End Neighborhood Plan
 - City Market Strategic Plan
 - Recreation Subsidization Review
 - Parking Study
 - Development of Community Energy Action Plan (net zero pathway to 2050)
- Additional staffing for Community Services included (2FTE) to support recreation, community development and social inclusion
- Additional temporary staffing to support enhanced recreational programming (Playground supervisors, special events and summer programming staffing)
- Funding for 5 new Recreation programs (including cost of 2 all-terrain wheelchairs and reinstatement of Passport to Parks)
- Significant contribution towards reserves to fund future Recreation facility

- Funding to support Civic Commemoration and Abilities
- Affordable Housing – Contact staffing and resources to support implementation of the Affordable Housing Action Plan
- Funding for Community Services Reserve
- Continued investment in IT Security and infrastructure, Public Safety Records Management Systems
- Reinstatement of Passport to Parks
- Additional temporary staffing to support City Market Strategic Plan and Night Market
- Additional full time resource supporting Traffic Management and Engineering
- Employee recognition program
- New Internal Audit/Risk Management Position
- Additional funds for Transit Services transformation
- Funding for Urban Stormwater outfall inspections

The investments being made maintain existing service levels but also support the priorities of council, follow various plans, and address social issues and meeting the targets and principles of the long-term financial plan.

Aligning with Long Term Financial Plan

The budget follows 4 key financial values set out in the long-term financial plan:

Don't spend more money than you make – 2023 budget is a structurally balanced budget

Borrow Wisely – the budget includes principal and interest charges of \$15.7M The city continues to reduce debt and increase pay as you go and is on track with its Debt Management Plan.

Save your money for a rainy day – The budget includes approximately \$3.9M in capital reserves to address several Council priorities, avoiding new debt and continuing a culture of “save first” versus “spend first”.

Take control of your expenses before they take control of you – the 2023 operating budget follows the City's wage escalation policy.

The City continues to perform as it balances the priorities of Council with the goals and targets of the long-term financial plan. Below are just some of some of targets being met or exceeded.

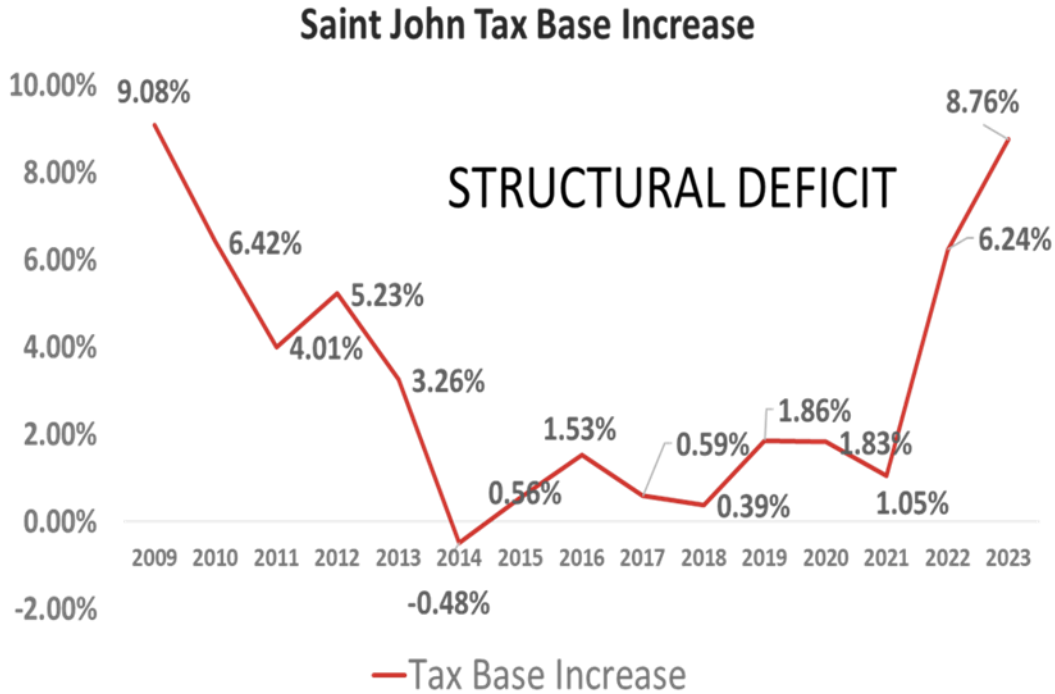
Measure	Direction	LTFP Base	2023 Budget	2030 Target
Debt per Capita	Lower is better	\$1,427	\$1,233	\$1,175
Debt Service Ratio	Lower is better	10.5%	8.9%	9.0%
Total Debt as a % of Operating Budget	Lower is better	60%	49%	50%
Tax Rate	Lower is better	\$1.785	\$1.62	\$1.57
Total People Cost (% of total revenue)	Lower is better	57%	52%	N/A

Managing risk in the 2023 Operating Budget

The City has experienced high growth rates in the past two years. It is important to follow financial best practices in good times and in bad. When looking back at the years 2009-2012 the City received tax base growth from 5.23% - 9.08%; yet without having a long-term financial plan (goals, targets, performance measures) the City fell into a structural deficit years later.

The proposed 2023 budget follows a balanced risk-based approach which reduces the tax rate to maintain the City's competitive advantage while being mindful of inflationary pressures in the community and achieving objectives in the Strategic Plan. The budget shows responsibility by not increasing the recurring cost of government based on multiyear spikes in assessment largely associated with a market adjustment and premised on new construction.

The challenges with tax burden faced by citizens, along with increases in other costs outside inflationary pressures was not lost when preparing this budget which is a large reason for the decrease in property tax rate.



CONCLUSION

In conclusion, the proposed 2023 General Fund Operating Budget enhances critical services for the community while meeting the objectives in the City’s long term financial plan. This budget advances the City’s strategic financial objectives to increase flexibility, reduce vulnerability, and is sustainable.

The budget also balances the financial objectives of the long-term plan while balancing the priorities of Council along with the recently adopted 10-year strategic plan.

STRATEGIC ALIGNMENT

The proposed 2023 draft General Fund Operating Budget is aligned with Councils’ priorities, the 10-year Strategic Plan, the City’s financial policies and plans, and strategic operational plans.

SERVICE AND FINANCIAL OUTCOMES

See enclosed 2023 General Fund Operating Budget

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

The budget was established in collaboration with the City’s Finance team, all Service Areas, Members of Finance Committee and Common Council.

ATTACHMENTS

1. Appendix A – 2023 Operating Fund Operating Budget
2. Appendix B – 2023 Operating Budget Presentation
3. Appendix C – M&C 2022-359 – 2023 General Fund Operating Budget Report