

CHECK AGAINST DELIVERY

Thank-you your worship.

It is indeed my pleasure to present Budget 2017.

This is the second year of the City's three-year budget plan, which includes our detailed plan for 2017 and projected expenditures for 2018.

For the first time in more than a decade, the City and the province are facing a downturn in the economy, marked by slower housing and development starts, declining growth in the natural resources sector and overall pressure on households to meet their financial burdens.

These pressures are felt by the City, too.

Last year's budget plan by Council called on this organization to focus on core operations and position the City to face the current challenges in a sustainable way. For many years, the City of St. John's had been able to capitalize on economic growth, investing in improved services and addressing long-term issues that might jeopardize our fiscal stability, such as the looming liability of our pension plan. These efforts have better enabled us to face this period of economic uncertainty, but we must continue to ensure that we are an effective, fiscally responsible organization – our residents and business community rely on us to maintain the services and programs they need and want while never putting at risk the City's financial standing.

PROGRAM REVIEW

In 2016, the City embarked on a comprehensive program review to analyze every service and program to determine which should remain and in what form, given current fiscal restraint. Based on best practices of other public sector program reviews in this province and country, the program review process involved taking a hard look at every City program, seeking efficiencies and challenging staff to find new, cost-effective ways to continue to offer core services.

To date, as you know your worship, program review has identified over \$13 million in targeted efficiencies. We are very pleased by staff efforts to achieve this significant savings – approximately 4% of our total operational costs – and we commit to continuing to find efficiencies in an ongoing way. Organizations that are most effective demonstrate that they have a clear vision and strong leadership, their structure and plans support their desired goals and they have clearly articulated performance management for both the organization as a whole and the people who carry out the work. They continuously look at what they do and how they do it to ensure they are achieving their results in the most cost effective and efficient way possible. Additionally, they understand the needs of their stakeholder groups and consider these in the planning process.

The division of organizational performance and strategy will be focused on supporting the organization in living its values of continuing to do things better and being innovative while constantly considering budget constraints and current and emerging needs in the community.

TAXES AND FEES

The goal for any municipal government is to strike the right balance between expenditures and revenues such that taxes are reasonable and services are appropriate. The challenge comes when expenditures continue to rise while revenue sources decrease.

The City's primary source of revenue is taxation; 75% of all the City's funds come from residential and commercial tax. This is our main source to fund the essentials: from garbage collection to snow clearing; from recreation to programming and events.

As part of program review, City staff conducted an extensive examination of fees and charges for service. The new fee schedule for recreation services, parking enforcement and permits, building inspections and permits and development-related costs, as well as the fee for Metrobus, were presented to the public about two weeks ago and are included in the budget being presented today.

These fee increases are minimal, and in most cases have not been adjusted in over ten years. The increase for Metrobus, for example, from \$2.25 to \$2.50 per ride, is in fact on par with average adult fares across Canada for similarly-sized populations. Despite the fact that costs to provide the service have increased significantly since 2008, Metrobus and GoBus rates have not been increased.

It will not come as a surprise to the public that this is a very challenging decision for Council to consider. We do not want to disadvantage individuals who rely on the bus for transportation, however the fact remains that on average, transit systems in Canada serving similar populations (between 50,001 – 150,000) are typically between 50-60% subsidized; as of 2017 the subsidy from the City of St. John's will be above this range, at 63.8% subsidized. This is projected to rise to 67.11% by 2019. It is also important to note that, Metrobus works with the provincial government to offset the costs of bus fares for those who need social supports. We also offer discounted rates for seniors and children.

This fee increase will allow us to continue to invest in the accessibility of our transit system, including continuing to add accessible routes and bus shelters, an important priority identified through budget engagement.

MILL RATE

We appreciate that fee increases and tax increases are undoubtedly a concern, especially in times of economic uncertainty. In 2015, City Council announced a decrease in the mill rates from 8.1 to 7.8 for residential and 26.2 to 25.2 for commercial. However, because 2015 was also an assessment year and property values had increased in St. John's since the last assessments three years earlier, the average municipal tax paid by residents and commercial property owners increased in 2016.

One of our primary goals for the 2017 budget, Mr. Mayor, was to see if a further reduction in mill rates could be achieved.

I am pleased to announce today that we have achieved a balanced operating budget of \$294,401,308, a decrease of 2.58 percent compared to the 2016 budget.

I am also pleased to announce that the 2017 budget includes a mill rate reduction of one half mill for both residential and commercial properties, bringing our 2017 rates to 7.3 mills for residential and 24.7 for commercial.

In addition water taxes for residents will drop by \$50 from \$630 to \$580 and commercial water usage rates will drop 7.9 per cent: another direct savings from program review.

The impact of the new mill and water rates will be a reduction in municipal taxes for all property owners. For example, a home valued at \$200,000 will pay \$150 less this year than they paid in 2016. For a home valued at \$350,000 taxes will decrease by \$225.

These combined tax reductions will offset most of the tax increase residents encountered in budget 2016.

Furthermore, we are able to reduce the mill rate for residential and commercial taxpayers without reducing the City's annual capital out of revenue contribution. The City is committed to its 10 year 1.25 billion dollars capital works plan and our contribution of \$28.4 million out of 2017 revenues remains intact.

I am also pleased to announce that individuals undertaking residential and commercial developments will pay 20% less in development fees in 2017. The City recognizes that creating the right climate for business to succeed benefits all residents of our City. A healthy robust economy is essential for all residents to improve their quality of life. It is Council's priority - through the commercial mill rate reduction and the temporary reduction in development fees - to support business and help to stimulate the St. John's economy. Development fees are contributions to capital spending and do not affect our operating budget. Therefore, there is no impact on the residential or commercial mill rate.

REGIONAL MANAGEMENT FEE REVENUE

As an aside, your Worship, St. John's as you know must think and plan regionally, as we are the regional caretakers of water, waste diversion and fire services. In fact, of our total \$294 million budget, a full \$67.8, is the budget for regional services.

Budget 2017 includes additional revenue in the form of revised management fees to the municipalities in the St. John's Census Metropolitan Area that receive these services from the City of St. John's.

Management fees have not been adjusted in ten years, and a review of current costs to offer those services has resulted in an adjustment to more accurately reflect their value. This will result in an additional million dollars in revenue to City's bottom line and will ensure future budgets reflect a fair sharing of the cost of regional services.

IMPACT OF THE VACANCY ALLOWANCE

Our goal for 2018 is to maintain the residential mill rate at 7.3; commercial mill rates, however, have yet to be determined.

One significant factor in determining that rate is progress on joint efforts with the business community to address the shortfall associated with the vacancy allowance.

By way of putting this important issue in context, your Worship, I would like to provide a background on how the vacancy allowance became an issue and what has been done in the past year to address it.

In 2013, City Council combined commercial realty and occupancy taxes for businesses in the City. This tax blending was undertaken in conjunction with the business community and also included a “vacancy allowance system” whereby business owners would receive a credit against their tax bill for vacant properties within their buildings. This was based on the premise that the tax blending was to be revenue neutral to the City.

Under the old system a vacant space was not occupied so there was no occupancy tax to collect. It was on this premise that the vacancy allowance credit was instituted, which was intended to result in no gains or losses for either the business community or for the City.

However, there has been a substantial loss to the municipality in revenue – an estimated \$5.5 million in 2018 –that could be avoided if the vacancy allowance was eliminated.

As part of Budget 2016-2018 Council announced the elimination of the vacancy allowance system, beginning in 2018. The business community viewed this as reversing an agreement and further taxing the already overburdened property owner; Council on the other hand struggled with the need to ensure that municipal services are not impacted by this loss of potential revenue.

There was an immediate and urgent need to work collaboratively with the business community to seek a solution to the impasse. In May, through collaboration with key business advocacy groups and leaders, Council and the business community reached an agreement to tighten up regulations around vacant properties.

A series of changes are being implemented, yet it remains to be seen just how significantly these efforts will reduce the \$5.5 million burden for taxpayers. Through the City-Business Roundtable, which continues to meet regularly, the business community is aware that a commercial mill rate increase may be necessary for 2018.

ADDRESSING PLANNED COST SAVING INITIATIVES: THE DOWNTOWN

When our three year budget was announced in 2015, Council proposed a number of cost-saving initiatives to reduce overall expenditures, including the comprehensive program review.

Over the past year, we have been exploring a number of these proposals. We have also taken the opportunity to meet with impacted groups and individuals and have carefully taken into consideration the opinions gathered through public engagement and consultation.

One area that has significant attention is the downtown. As I mentioned previously, we have been holding ongoing consultations with the business community, and this includes meeting regularly with a group of individuals and business owners who operate in this vital core of our city.

Our commitment to supporting a distinctive downtown, as outlined in our Strategic Plan, continues, and our recent demographic survey supports this: 74.1 percent of people who live in the city - outside of the downtown - visit downtown on a monthly basis or more; 86.4 percent for entertainment and dining.

The Downtown Advisory Committee provides information and advice to Council on policy and directions to support the ongoing development of downtown as a distinct neighbourhood of commerce, culture, tourism and heritage.

We recognize the significant value of keeping the downtown core strong, sustainable and inviting, to residents and visitors alike. When businesses close in the downtown, as we have seen in recent months, we are concerned and we do take note.

Our role is to work with our partners to develop the city as an optimum place to live, visit and do business.

Our investment in the St. John's Convention Centre provides us with the opportunity to bring major conventions to the City, to raise our profile and compete with other provinces in Atlantic Canada on this front.

I would also note that the subsidy to run Mile One and the Convention Centre will decrease slightly in 2017 – from 2.57 million to 2.49 million. However, with the loss of a hockey tenant in 2018, we project a slight increase for the 2018 fiscal operating year.

Our continual investment in the downtown core through arts funding and support – such as our annual Music @ Concert Series, featuring regular concerts at Harbourside Park and expanding to Quidi Vidi Village Plantation and Bannerman Park – help bring the public down to this important district.

Additional parking provided in previous budgets also supports that vitality. Your worship there is a myth that there is not enough parking downtown and this is simply untrue – staff have assessed the capacity for parking and there is ample parking in the parking garages to meet the needs of downtown businesses and their customers.

There are many ways for us to advance our downtown – including hosting more events in the downtown such as our upcoming New Year's Eve celebrations - and we will continue to work with those who want to partner with us, seeking those exciting new opportunities.

In support of that effort, we are committing to a new initiative by investing in downtown beautification, implementing a dedicated downtown crew, at a cost of \$58,000.

ADDRESSING PLANNED COST SAVING INITIATIVES: LITTER CREW

On a similar theme, the 10-week litter crew program will be reinstated for 2017 at a budgeted cost of \$55,000.

We want the residents of St. John's to share in the pride we feel towards our City, and investing in cleaner neighbourhoods is just one way that we can support that pride.

Quality of life is important to people. As we noted in our demographic survey results, the top three aspects of the city that make it a good place to live are: the people and hospitality, our natural environment and arts, culture and heritage.

ADDRESSING PLANNED COST SAVING INITIATIVES: PARKS AND RECREATION

Neighbourhoods build our city, and good communities are built on amenities, including parks, recreation facilities and open spaces; diversity, inclusiveness and civic involvement.

We are excited to see two significant investments open to the public in 2017: the new Paul Reynolds Community Centre at Wedgewood Park and the Bowring Park Pool House, both of which will benefit not only the local neighbourhood but the entire municipality and region.

We have already taken the first steps towards a significant revitalization of Victoria Park, with a new foundation in place to continue the efforts needed to fund this plan; and within a few weeks we will be sharing a plan with the residents of Kenmount Park on developing plans for their community space, as gathered through extensive engagement with the public.

Now that Paul Reynolds is near completion, we turn our attention to the Mews Centre, with redevelopment to occur at an estimated cost of \$24 million, to be funded out of capital. We are all eager to see "shovels in the ground" on this project in 2017.

INNOVATION AND PARTNERSHIPS

As to the maintenance of our other parks and open spaces, our commitment has not waived. In fact, through program review I am pleased to see many examples of "innovation in action".

Take for example our Parks Division. In recent years, Parks has assigned two workers to each of our three sports field locations - Wishingwell Park, Victoria Park, Lion's Park - for maintenance including field preparation.

As a result of program review, the City will now have a new mobile unit that will increase productivity and equipment utilization, and reduce costs – all without impacting on the level of service provided to residents. This measure will save the City of St. John's approximately \$34,000 in 2017.

This sort of innovation and attention to efficient use of resources demonstrates the value of ongoing review and evaluation which the public can expect from the City in 2017, and beyond.

I also note, your Worship, our recent agreement with the St. John's Boys and Girl's Club to manage our Recreation Centre at Buckmaster's Circle as a fine example of the community working with us to meet the needs of the public.

Other partnerships such as this one will be funded in part by the City in 2017, including:

- Converting St. Patrick's Convent – a gift from the Presentation Sisters to the City – to affordable housing for seniors, furthering our commitment to affordable housing the City's contribution is \$1.86 million of the total \$4.36 million project.
- Beginning construction on a new Community Market, with anchor tenant the St. John's Farmer's Market, to which we have committed \$2 million;
- Hosting the Tim Horton's Brier at Mille One and the St. John's Convention Centre; and
- Working with the federal government to mark Canada's 150th Birthday.

GRANTS AND FUNDS

Our investments in the community include reinstating our community grants program to 2015 levels, which includes not only grants to arts and artists but also grants for sports and community groups.

We will continue to offer Heritage grants to Heritage property owners looking to renovate or rebuild.

We also commit to continuing the Housing Catalyst Fund, announced in 2016. This \$50,000 fund addresses the critical issue of affordable housing in a small but tangible way, offering grants to community groups and others such as builders and developers to facilitate and plan housing solutions that will enhance the quality of life for individuals and families, and build a healthier community.

CONSULTATION THEMES

Finally, your Worship, during budget engagement both this year and last, we heard a number of repeating themes from the public:

- Keep a focus on core services;
- Be innovative, and use public resources efficiently;
- Look for new sources of revenue, and advocate for the City regionally, provincially and nationally;
- And reduce the burden on the taxpayer, where possible.

It is my hope that this budget for 2017 addresses most of these public concerns.

AUTOMATED GARBAGE

But the one other theme we have heard most frequently that I have not yet mentioned is the desire for the City to move to automated garbage collection. We have seen this step taken in some of our neighbouring municipalities in recent years, and there is no doubt that this continues to be a key topic of discussion, both amongst the public and inside City Hall.

In 2017, the City of St. John's will purchase new garbage trucks that will be equipped to handle automated collection. The Public Works Department plans to roll out automated collection in phases – one area of the City at a time, beginning 2018 and continuing until all areas of the City that can be serviced in this way are completed.

During 2017, the City will engage with the public on this effort. We will use a model similar to our neighbouring municipalities where the cost to purchase the bin is billed out to the homeowner over a period of time.

What size the bins are, what area will be selected to start and how soon the project will commence will be determined in the coming months, but our commitment to moving to automated garbage begins with our investment in the equipment required in the 2017 budget.

CONCLUSION

I would like to conclude by thanking the public, our community partners, the business community and our staff for their input and efforts to ensure that our budget is reflective of the needs and desires of those we serve, and effectively managed and monitored as we go forward this year.

We know that our residents recognize the challenges facing the City. Themes such as managing the budget, investing in infrastructure, creating affordable housing and the economy come up time and again, in our demographic survey and in our budget engagement. All of these issues have been considered in the preparation of this budget, and will continue to be our focus in 2017.

Thank-you your worship, and I move acceptance of Budget 2017 and all related tax resolutions to set our mill rates and fees for the City of St. John's.