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Governance and Strategic Management

Fredericton City Council is a council composed of a mayor and twelve councillors. They are elected by ward to govern the City of Fredericton. The Council is responsible for setting policy that is administered for residents by professional management and staff.

In 2021, due to a delay in the 2020 elections resulting from the COVID-19 pandemic, a new City Council was formed in May of 2021. The election resulted in a new mayor and 5 new councillors. For the first time in Fredericton's history, a female was elected as mayor and Council had the most female representation on Council with four female councillors elected.

Beginning in 2016, the City began a process to create a new municipal plan to guide the City of Fredericton into the future. The culmination of this plan was its adoption on January 27, 2020. It is based on many public consultations and will be the basis for how decisions are made today to impact the City going forward. It takes into consideration all of the things that make the City what it is and has recommendations on how to maintain and enhance the quality of life for citizens of Fredericton.

A 20 Year Long-Term Financial Plan was adopted by City Council on September 13, 2010. The Long-Term Financial Plan is the City's road map to long-term financial affordability, flexibility, sustainability and resiliency. With the adoption of the new municipal plan, the long-term financial plan will be updated to reflect the new guiding document. It will also reflect new factors including growth as a result of local governance reform and a heightened focus on environmental issues surrounding adaptation and mitigation.

Long-term planning considers the full life-cycle cost of assets, weighs the costs and benefits of development opportunities, and adheres to sound funding, debt affordability and capital investment policies.

The General Fund long-term financial plan includes a recommended debt servicing limit of 8% of total revenue. The 8% debt servicing ceiling along with the 12-17% Pay-As-You-Go (PAYG) capital budget allocation provides 20-25% of the total General Fund budget allocated to capital assets and infrastructure, which is the amount required to maintain service levels and address stable growth. The Long Term Financial Plan will be renewed in 2023 in order to reassess policy decisions for future budgets.

Capital investment priorities are set based on the need for renewal, extension or addition of capital assets within the City's eight Program Result Areas. The City maintains a complete inventory and knows the replacement cost of its capital assets. The PAYG capital budget is used to (a) replace existing assets, (b) expand and enhance assets to accommodate new services and growth, and (c) repair and maintain existing assets.

The City of Fredericton develops an annual budget that outlines planned revenue collection and expenditures for the calendar year. Revenues are generated primarily from property taxes, although funds are received through transfers from other levels of government and from non-tax revenues, including permit fees, parking levies, transit fares, and from other services. Expenditures relate to each of the services provided by the municipality in support of the goals of the eight Program Result Areas.

A major change to the Governance model will be applied in 2023 and beyond with changes resulting from the Provincial Government led Local Governance Reform. This will impact service delivery and boundary changes to the City and a changing relationship with the Regional Service Commission.

Financial Statement Discussion & Analysis

Introduction

Management of the City of Fredericton is responsible for preparing the Financial Statement Discussion & Analysis (FSD&A). This report is supplementary to the audited financial statements with the objective of explaining, highlighting and analyzing information contained in the financial statements.

This discussion will provide highlights of the key financial information and analysis, including an assessment of trends and indicators of financial health.

Highlights

Revenue

Revenue for 2022 was $167.7 million, up from $161 million, or a 4.2% increase from 2021. The increase is attributable to increased property tax revenues due to an extremely robust residential housing market and the reassessment of commercial properties that were adjusted in 2021 because of the COVID-19 pandemic.

Revenue		**2022**
Property taxes	$	118,873,040
Sales, fines and other fees		30,428,041
Services to other governments		3,882,021
Community funding and Federal Grant in Lieu		1,981,585
Third party contributions:		
Infrastructure installations funded by private development		4,806,004
Federal and Provincial infrastructure funding		5,872,328
Return on investments, and other miscellaneous revenue		1,809,071
Total revenue	**$**	**167,652,090**

Revenue from sales, fines and fees increased by $1.4 million, or 4.8% over the prior year. Factors driving the increase were in the following areas: building permits and development approval; public transit; and recreational facilities.

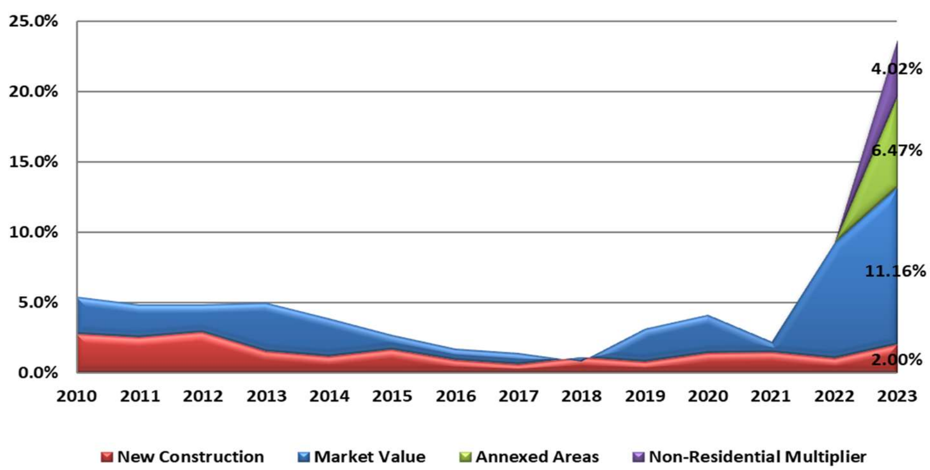
Rising costs and increasing needs for public services continue to be the key drivers for negotiating new service contracts. Staff continue to negotiate contracts with neighboring communities for such services as Policing and Fire Protection of Saint Mary’s First Nation, Fire to LSDs and 911 Dispatch Services for the region. These contract agreements aim to achieve full cost recovery for the services provided to other governments. It is important to note local governance reform will have an impact on certain agreements moving forward.

Revenue growth from property taxes is unpredictable

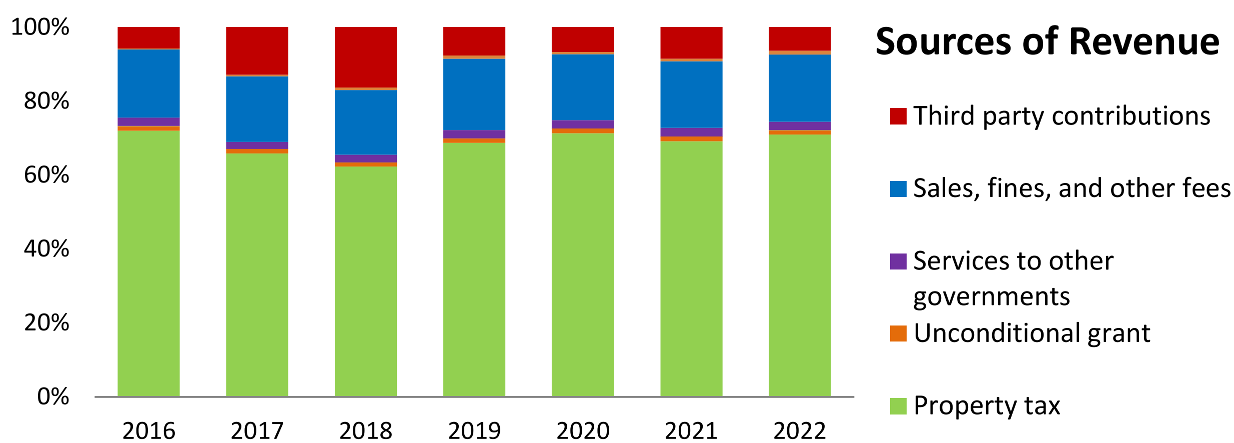
The City's revenue growth from property tax was on a downward trend but has rebounded after the property tax freeze in 2018. Tax base growth is composed of new construction and increases in the assessed market value of existing properties.

Tax base growth in 2022 resulting from new construction was 1.00%, while market assessments increased by 8.21%. For the 2023 budget, the tax base from new construction grew by 2.00% while market assessments grew by 11.16% due to another year of a strong housing market. In addition, the tax base will grow by another 6.47% in 2023 due to the annexation of surrounding areas as a result of local governance reforms and it will increase by 4.02% as a result of increasing the non-residential multiplier from 1.5 to 1.7. It is extremely difficult to estimate what 2024 tax base assessment numbers will be; however, there are signs that residential transactions are slowing which could result in lower tax assessments than have been seen over the past two years.

Growth in the Property Tax Base



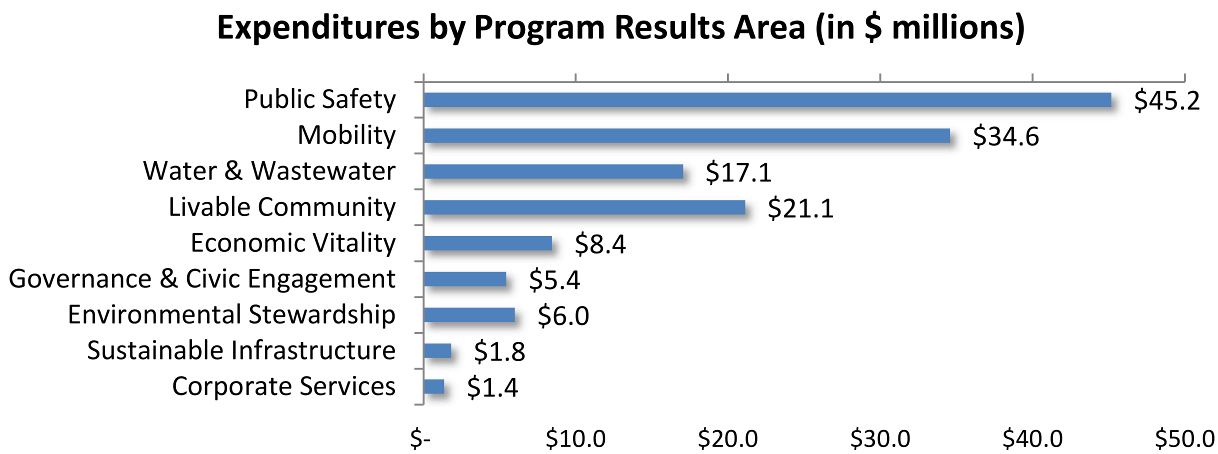
While growth in the property tax base had slowed in recent previous years, the City maintains a high reliance on property taxes as the main source of revenue. In 2022, property tax revenue was approximately 70.9% of total revenue.



The reliance on property taxes is partly due to a reduction in the Community Funding and Equalization grant received from the Province of New Brunswick. The grant decreased over a four-year period, from $5.78 million in 2011 to $1.71 million in 2015. In 2021, the Community Funding and Equalization grant was 1.2% of total revenue, compared to 4.3% in 2011. Due to Local Governance Reform, the Province has announced changes to the Community Funding and Equalization Grant that will result in allocation to the City of Fredericton being reduced to zero by 2026.

Expenses by Program Results Area

Expenses are reported by Program Results Area. Community results are achieved in each program area through the delivery of services and provision of municipal infrastructure.



* Corporate Services and other overhead costs are reallocated to the external services.

Expenses are related to salaries and benefits, goods and services, and infrastructure costs

Annual expenses reported in the financial statements include salaries and benefits, goods and services, and amortization of infrastructure. Annual amortization expenses are calculated as the historic cost of infrastructure and assets divided by their expected useful life.

Total expenses in 2022 were $141.1 million, compared to $140.3 in 2021, an increase of 0.6%.

Expense by Type (in $ millions)		**2022**		**2021**		**2020**
Salaries	$	74.2	$	73.8	$	72.9
Goods and Services		41.6		38.9		37.4
Amortization		23.9		23.5		24.6
Interest		1.1		1.1		1.3
Other		0.3		3.0		2.1
	$	141.1	$	140.3	$	138.3

Union agreements

The basis for City negotiations is tied to the City's Human Resources Tactical Plan adopted in 2019. The basis is on fair and predictable compensation for City employees that is tied to cost of living, based on the New Brunswick Consumer Price Index. Since 2019, five of the six bargaining units representing employees of the City of Fredericton have agreed to settlements linked to NB CPI. They include CUPE Locals 508 (Outside), 1709 (Inside), 1783 (Transit); and CUPE Local 3864 (Technical Professionals) and UBC Local 911

(Police). The non-bargaining employees and Council also have their salaries linked to NB CPI. The next two years will result in new contracts for IAFF Local 1053 (Fire) effective January 1, 2020, and CUPE Locals 1709 and 1783 effective January 1, 2023.

Costs are expected to increase faster than revenue growth

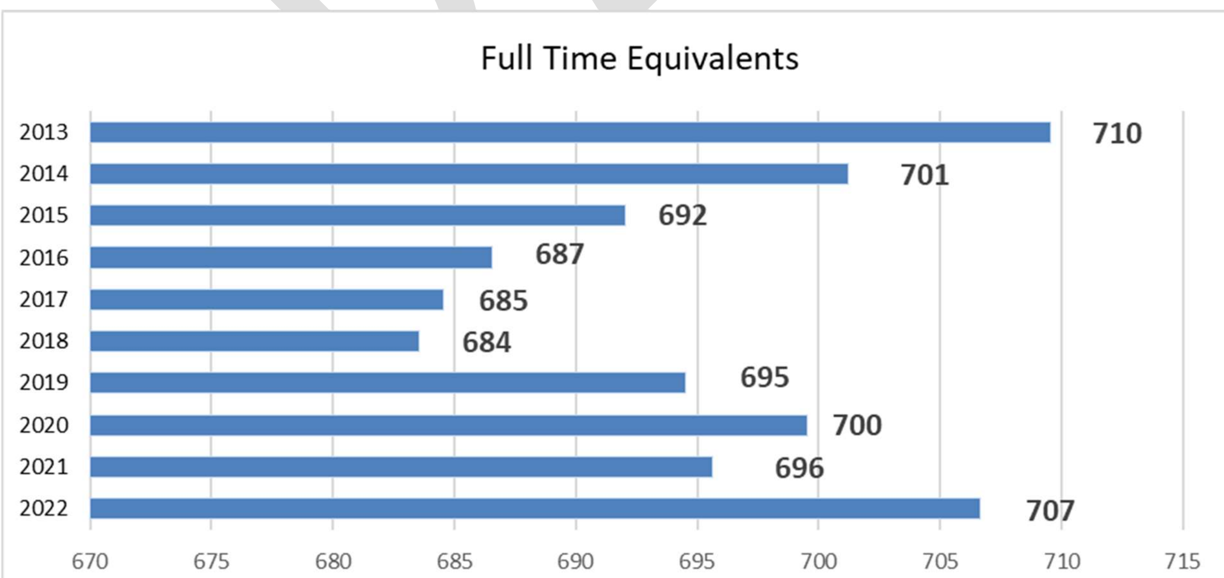
The City's inflationary costs have been increasing at a higher rate than revenues being generated through property taxes and are also higher than a typical consumer's inflation as measured by the Consumer Price Index.

For 2022, this trend continued. High costs associated with contract settlements above the City's ability to pay and high construction costs make it difficult to provide the same quality of service to residents. The City is committed to identify opportunities to offset higher costs. Since 2012, the City has worked diligently to produce cumulative savings exceeding $10.3M. or $0.12 on the tax rate. However, there is a risk that the adjustments to services will be required if inflationary costs outpace annual revenue.

In addition to expenses, COVID-19 and associated lock-downs and restrictions have had a significant impact on the City's ability to provide services and collect non-tax revenue for those services. While some of these services such as Transit, and Recreational Programming and Rentals saw revenue increases compared to 2021, their revenues still remain below pre-pandemic levels in 2022.

Aligning the workforce to a growing community – striking the balance

In the past, full time equivalent employee (FTE) growth outpaced revenue growth which resulted in an imbalance of salary costs compared to revenue which resulted in a need to right-size the FTE complement. Due to significant growth in the community and changing needs, the City is now strategically adding to the FTE complement where there are service requirements to support our growing community.



City is mandated to operate within a balanced budget framework

The City is mandated to budget using provincially legislated cash budgeting for each of its operating funds and is required to maintain a balanced budget on a cash basis with no cumulative surplus or deficit within those operating funds.

In 2022, the City's General Operating Fund ended the year with a surplus from regular operations of $796,476 or 0.5% of total revenue. The Water & Sewer Utility Fund ended with a cash budget surplus of $815,186 or 3.1% of total revenue.

Annually, the City is required to consolidate the operations of City owned companies with regular operations to report a Consolidated General Operating Fund surplus or deficit to the Province of New Brunswick.

These companies, including the Fredericton Convention Centre, e-Novations Comnet Inc. and Newmarket Properties Inc., added $385,980 to the annual Consolidated General Fund surplus/deficit. The operating surpluses generated from the subsidiary companies are retained in each company to be used for future reinvestment in infrastructure necessary to sustain their operations.

The consolidated annual surplus also includes unrealized foreign exchange gains of $199,250 and unrealized losses on investments of $187,724. Including the subsidiary companies, and the effect of unrealized foreign exchange gains and unrealized investment losses, the City's Consolidated General Operating Fund surplus is $1,194,432 or 0.8% of revenue.

Investments in infrastructure are necessary to sustain service delivery

For 2022, the City reported tangible capital assets with a historical cost of $988.7 million and $362.6 million in accumulated amortization, resulting in a net book value of $626 million. During the year, the City recognized amortization expenses of $23.9 million. To sustain current levels of service delivery, the City must replace assets at the same rate as the rate of amortization.

The amortization expenses recorded for the cost of consuming assets (at historical prices) is much lower than the capital expenditures required to acquire replacement assets (at current prices).

The City's infrastructure consists of long-lasting assets. The annual amortization expense is based on the historical cost of assets at the time of construction, which is then amortized over the useful life of the infrastructure. The useful life of a municipality's large infrastructure assets ranges from 15 to 80 years and historical construction costs are much lower than current replacement costs. As a result, the total expense recorded for asset amortization tends to be much lower than the current cost of investments required to replace those same assets.

Using Public Sector Accounting Standards, the difference between amortization expense and the current cost of replacing infrastructure gives rise to an annual surplus

The City's audited financial statements are prepared in accordance with Public Sector Accounting Board (PSAB) standards. PSAB requires governments to capitalize long-term assets and record amortization expense at historic costs over their useful lives.

Investments in infrastructure are recorded as an increase in tangible capital assets as shown on the Consolidated Statement of Financial Position, rather than as a cash expense during the year. Capital assets are then depreciated over their useful lives and the cost of asset amortization is recorded as amortization expense each year over the useful life of the asset.

In 2022, amortization expense was recorded at $23.9 million, while the total investment in replacement and new infrastructure was $36.5 million. Capitalizing investments as assets and recording amortization expense under PSAB standards resulted in an annual expense that was $12.6 million lower than the City's cash operating budget because the historical amortization expense is much lower than current replacement costs. This creates an annual surplus when reporting for Public Sector Accounting purposes.

Consolidated surplus is related to investment in infrastructure and is supported by third party contributions.

The City ended the year with a consolidated surplus from all funds of $26.5 million and an accumulated surplus of $663 million, compared with an annual surplus of $20.5 million and a year-end accumulated surplus of $636 million in 2021.

The City's operations are managed within a balanced budget on a cash expenditures basis. Budgetary cash surpluses or deficits are legislated to be included in the second ensuing year's operating budget. As a result, the consolidated annual surplus of $26.5 million is made up primarily of:

- Cash investments in capital assets that are higher than the amortization expensed in the year,
- Third party contributions of capital assets and infrastructure funding, and
- Debt repayments.

Throughout the year, the City receives contributions of municipal infrastructure from developers who have built new subdivision streets, sidewalks, and water and sewer infrastructure and then turned those assets over to the City. This results in an increase in tangible capital assets as well as an increase in the property tax base. During the year, developers contributed $3.5 million in linear assets.

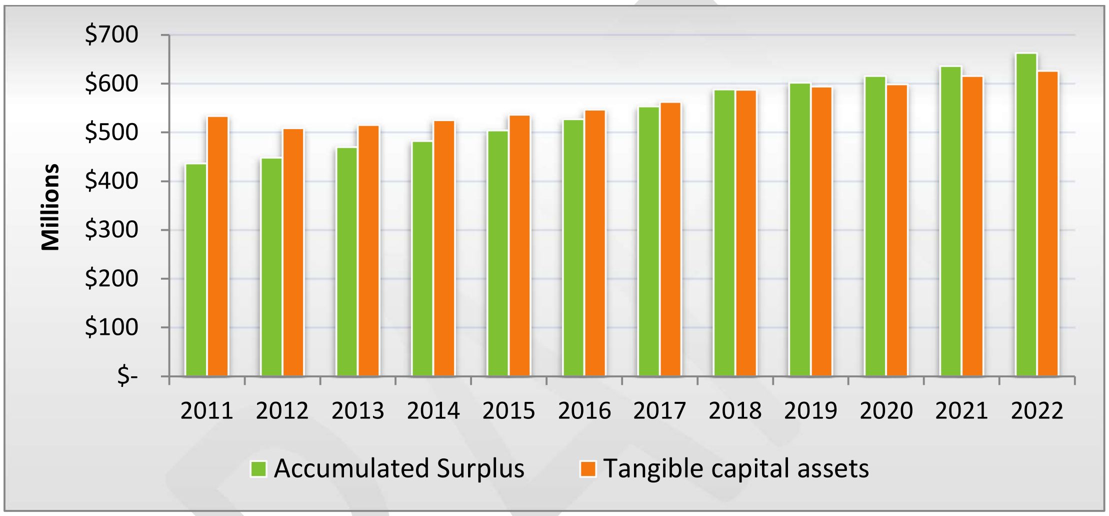
Also included in third party contributions are government transfers and funding for major capital projects. In 2022, the Federal and Provincial governments contributed investments in infrastructure valued at $5.9 million including contributions for transit upgrades, lighting upgrades at Tingley and Johnson field, and various roadway and water and sewer projects.

Accumulated surplus related to investments in infrastructure

The accumulated surplus reported on the Consolidated Statement of Financial Position shows the net amount of assets available to provide services for the City's residents. This is not a cash surplus available for additional expenditures but represents the cumulative investment in infrastructure over time.

The following chart shows the accumulated surplus compared to the net book value of tangible capital assets. The accumulated surplus is made up almost entirely of investment in infrastructure and tangible capital assets. This is because the City is required by legislation not to accumulate year over year cash surpluses from operations.

The net difference between the accumulated surplus and the value of tangible capital assets shown on the following chart is outstanding long-term debt.



Readers of the financial statements should be cautious about their interpretation of the increase in tangible assets and accumulated surplus.

The increase in accumulated surplus or tangible capital assets does not necessarily indicate that the overall condition or life expectancy of existing infrastructure is improving or that future cash requirements to replace capital assets are diminishing.

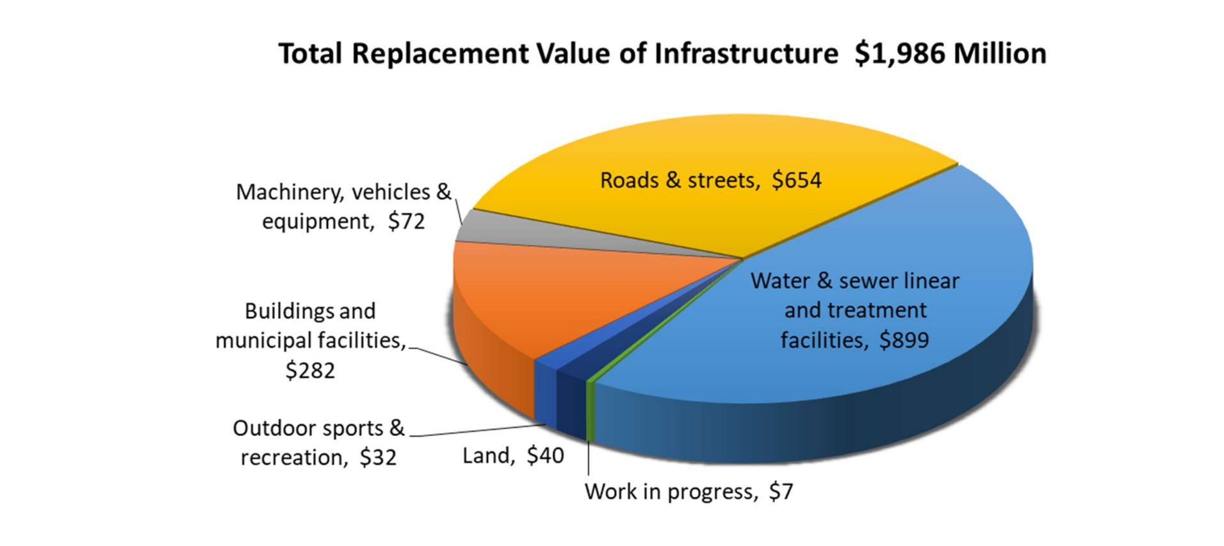
The accumulated surplus represents the City's equity in assets. It represents the City's future ability to use infrastructure to deliver municipal services and achieve Program Results.

Investments in infrastructure support Program Results

During 2022, the City made significant investments to renew existing infrastructure and additions of new infrastructure to achieve Program Results.

Program Results Area	Project	Community Result
Environmental Stewardship	Station Road Living Wall, refillable water fountains, adoption and implementation of the Community and Corporate Energy and Emissions Plans	An environmentally conscious corporation and community, adapting and mitigating against climate change
Livable Community	Tingley and Johnson ball field renovations, Design work for new Performing Arts Centre, On-going upgrades at Officer Square	A vibrant, well-planned, connected and active community
Mobility	Continuation of the transformation of Brookside Drive into the City's first "complete street", Continued investment in renewal of transportation network, Transit technology and accessibility upgrades	New equipment and infrastructure to provide safe, accessible, options for movement around the community.
Water and Wastewater	Barrett Water Treatment Plant upgrades and other core water and sewer renewal projects	Infrastructure to provide safe and clean water

Infrastructure Condition and Deficit



There are a number of tangible capital assets owned by the City that have reached the end of their intended useful lives but have not yet been replaced and are still in service. The current replacement cost of these assets is referred to as the infrastructure deficit. The infrastructure deficit is not included in the annual or accumulated surplus figures in the consolidated financial statements.

Estimated Infrastructure Deficit (in $ millions)

Infrastructure Assets		**2022**		**2021**
Outdoor sports & recreation	$	5.2	$	2.0
Buildings and municipal facilities		46.7		40.7
Machinery, vehicles & equipment		12.2		7.0
Roads & streets		69.3		60.5
Water & sewer linear and treatment facilities		188.1		174.4
	$	321.4	$	284.5

Addressing the Infrastructure Deficit through long-term financial planning and fiscal policies

The City is working to address the infrastructure deficit through its fiscal policies and long-term financial plans. The Long-term Financial Plan for both the Water & Sewer Fund and the General Operating Fund prescribe a level of funding required for infrastructure renewal that will reduce the infrastructure deficit over a 20-year period. As mentioned, this Plan will undergo an in depth review to update policies and determine effectiveness over time.

The Council has also adopted these long-term financial plans along with related fiscal policies aimed at achieving the plans' objectives. The Debt and Affordability Policy caps the level of debt payments to less than 8% of total recurring budget, and the Capital Prioritization and Investment Policy ensures that at least 75% of the capital budget is invested in the renewal of existing infrastructure.

Meeting renewal targets for infrastructure replacement is key to achieving a reduction of the infrastructure deficit.

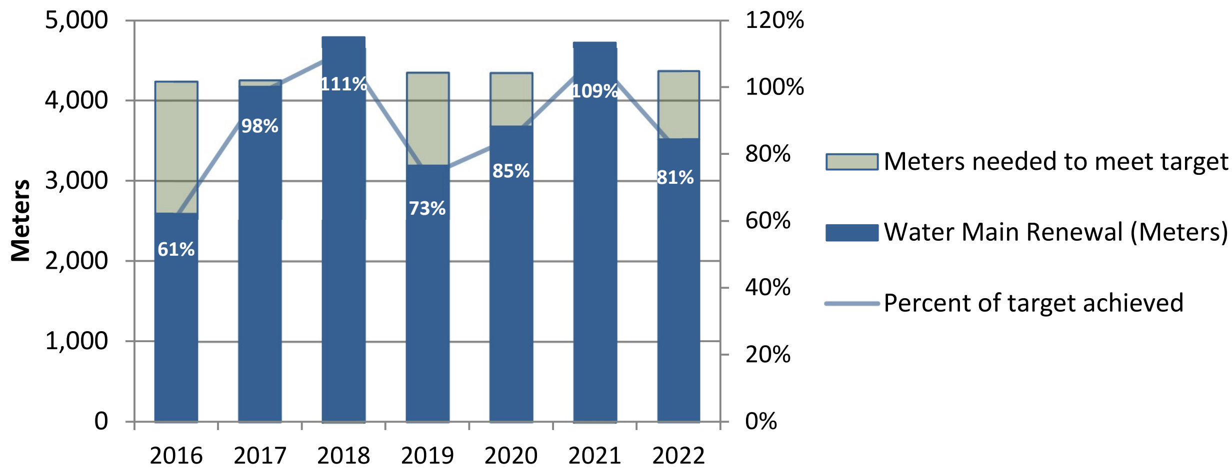
Water and Sewer linear assets represent the largest area of infrastructure deficit

The City of Fredericton Water and Sewer utility operates 10 major water production wells, two water treatment plants, fourteen booster stations and seventeen water storage reservoirs. Wastewater is collected and treated at the Barker's Street Treatment Facility along with one sewage treatment lagoon. Water and wastewater are distributed and collected using over 830 kilometers of underground piping.

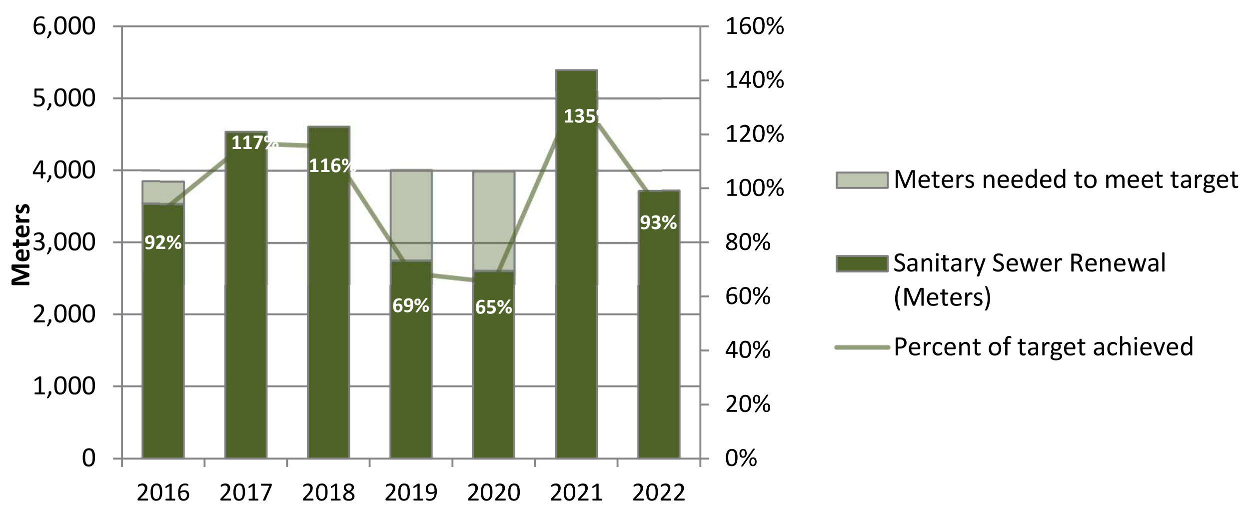
Water & Sewer Linear Assets	Total Length (km)	Infrastructure in Service Beyond Expected Useful Life		
		Length of Deficit (km)	Percent of Total	Replacement Cost (in millions)
Water mains	437.0	120.9	28%	$ 114.9
Sanitary sewers	401.7	20.3	5%	$ 15.3

Water mains and sanitary sewers have expected useful lives ranging from forty to eighty years. Many are still in service beyond expected useful life estimates. A renewal rate of 1% of the total length of infrastructure per year is the target renewal rate for maintaining a sustainable underground system.

Water Main Renewal Compared to Target



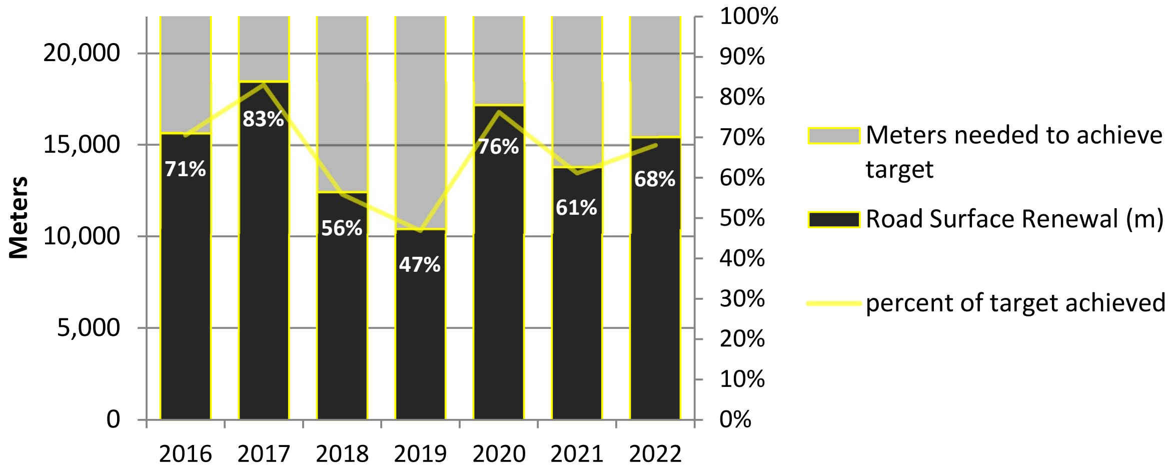
Sanitary Sewer Renewal Compared to Target



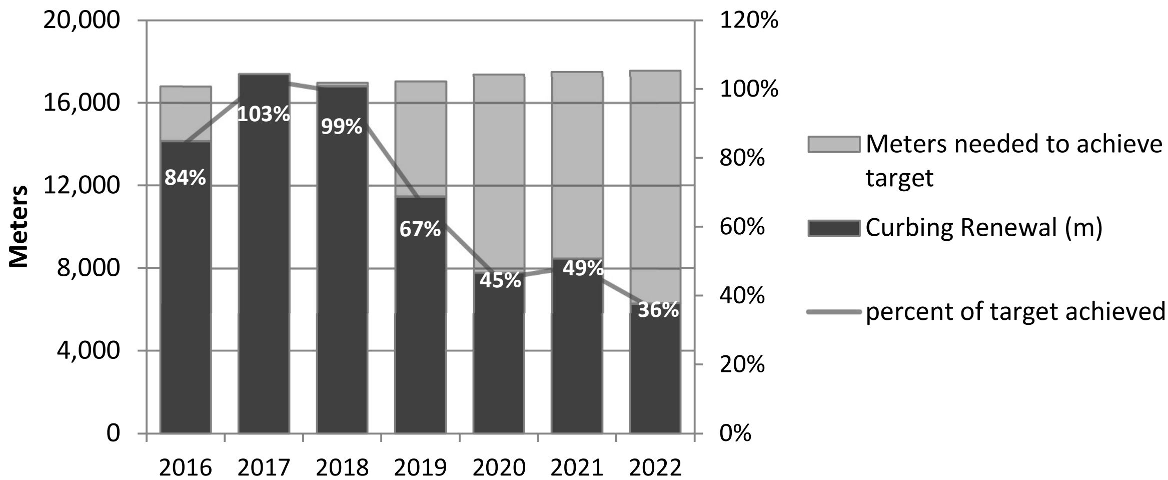
Roads and Streets assets require significant reinvestment to sustain the quality of service

Roads & Streets Linear Assets	Total Length (km)	Infrastructure in Service Beyond Expected Useful Life		
		Length of Deficit (km)	Percent of Total	Replacement Cost (in millions)
Road surfaces	376.6	69.2	18%	$ 14.3
Road base	376.0	35.3	9%	$ 32.0
Curbing	583.1	62.0	11%	$ 8.7
Sidewalk	253.2	21.1	8%	$ 5.9

Road Surface Renewal Compared to Target

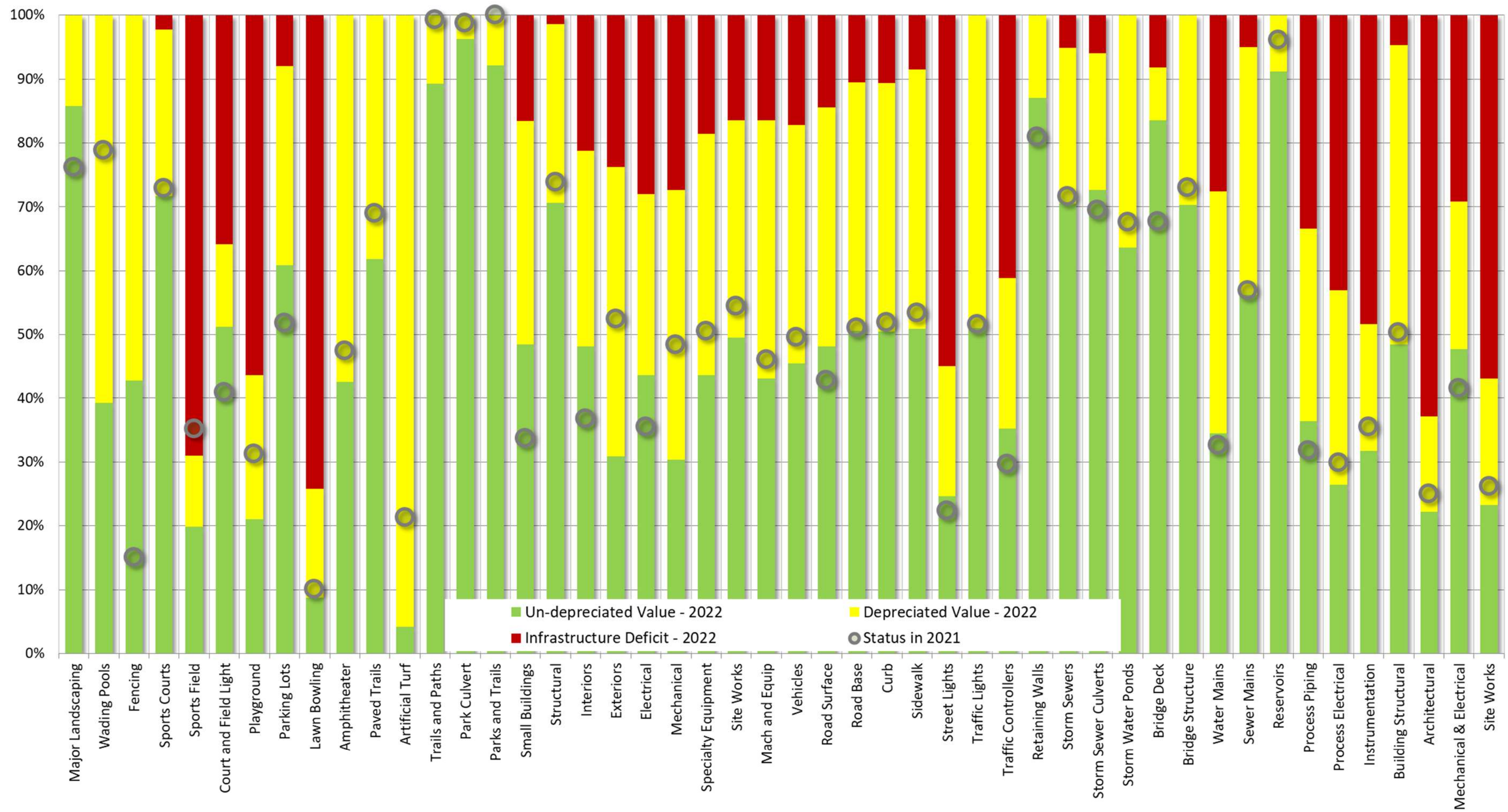


Curbing Renewal Compared to Target



In addition to assets that have already exceeded their expected useful lives, a number of assets are nearing the end of their expected useful lives or have been partially used. The chart on the following page shows the relative percentage of assets by category that have already reached the end of their expected useful lives, the amount of life already depreciated from the pool of assets, and the un-depreciated or useful life remaining.

Infrastructure Condition



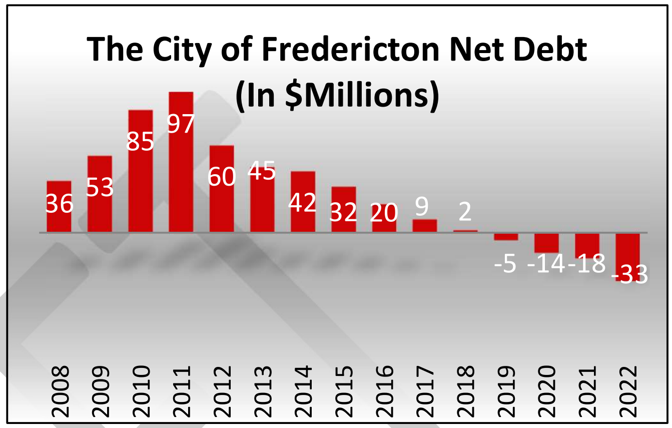
Assessment of Financial Trends

Debt is an important measure of financial health and future prospects for the City of Fredericton. Net debt represents the future amount of revenue required to fund existing commitments and indicates the affordability of additional spending. It is calculated as the total short- and long-term financial obligations of the City, less current financial assets.

Change in Net Debt

The City has experienced a decrease in net debt over the last five years. In 2012, the East End Office Complex was sold to the Province of New Brunswick, reducing the City's financial obligations. In 2022, the City continued to repay its long-term debt, further reducing net debt.

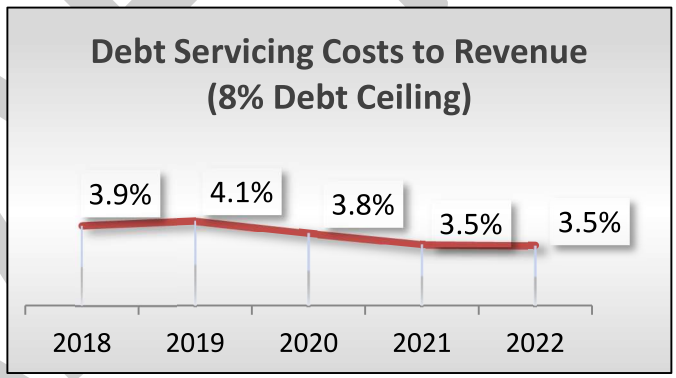
- For the year ended December 31, 2022, net debt decreased to -$33 million.



Debt Servicing Costs

Debt servicing costs were 3.5% of total revenue in 2021. The long-term financial plan sets a target debt servicing ceiling of 8% of total recurring revenue.

- Debt servicing costs of $5.4 million were recorded in 2022, including $1.1 million in interest and $4.3 million in principal repayments.

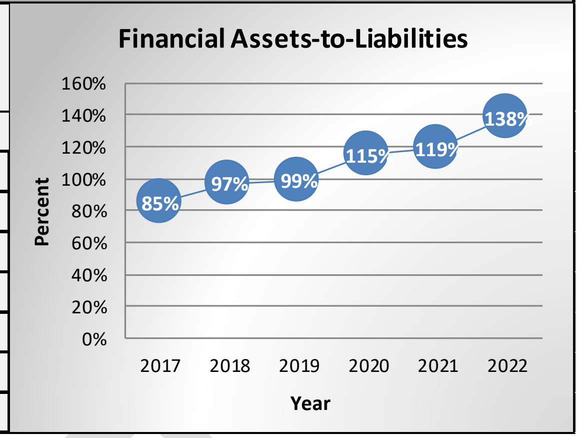


Improving Asset-to-Liability ratio

In 2022, the City continued to pay down outstanding debt. The City also received increased contributions from other levels of government for infrastructure projects reducing out-of-pocket expense for these projects. The result is an increase in the ratio of financial assets to total liabilities which is a favourable indicator of financial sustainability.

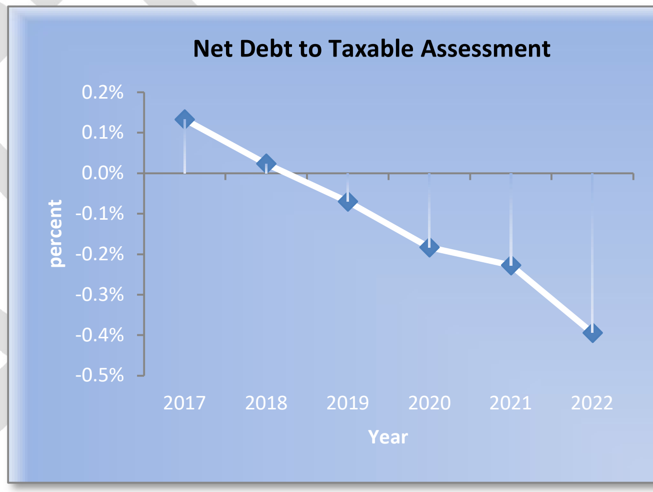
Comparison of Assets-to-Liabilities

Year	Total financial assets ($millions)	Total liabilities ($ millions)	Total assets / total liabilities (percent)
2015	36.6	68.5	53%
2016	43.2	63.0	69%
2017	53.0	62.4	85%
2018	56.1	57.7	97%
2019	70.2	70.8	99%
2020	68.3	59.5	115%
2021	79.6	67.1	119%
2022	93.7	68.0	138%



Taxpayer Affordability

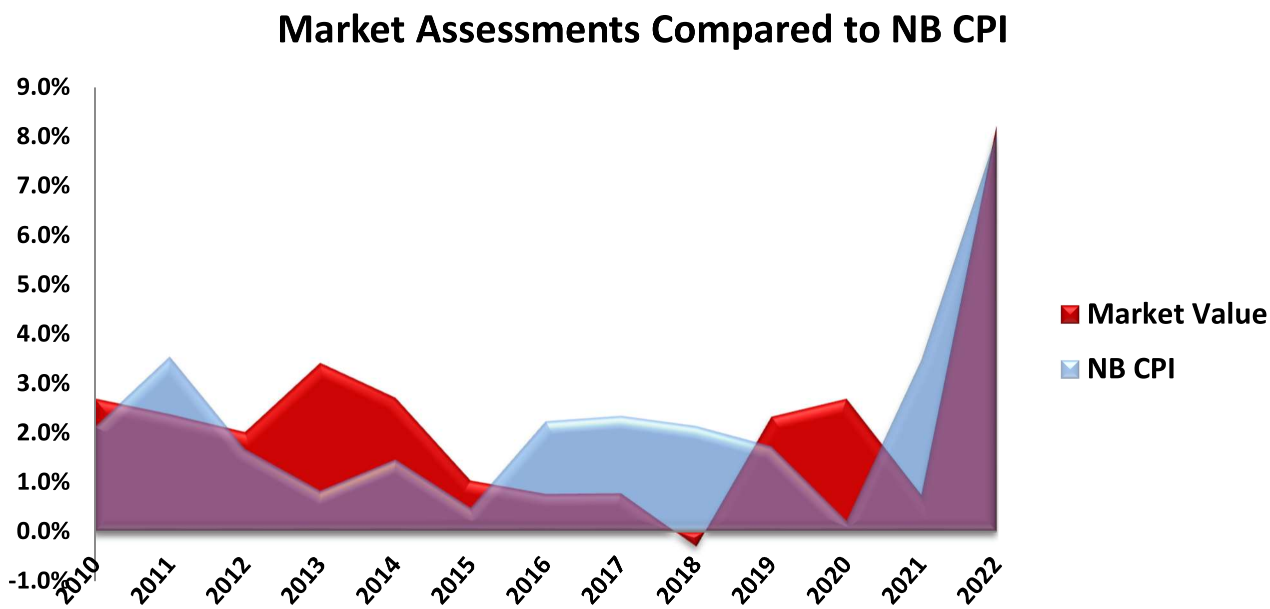
The flexibility of the City to bear additional future costs is impacted by the level of net debt compared with the total value of the tax base. This trend is improving as the tax base grows and net debt decreases. It is an indicator of the City's ability to utilize debt financing in the future for major projects without negatively impacting the affordability of the tax rate.



Municipal Tax Burden

In 2022, Fredericton's overall Municipal Tax Effort was 4.8%. This means that for the average residential unit 4.8% of their household income pays for municipal taxes and water and sewer rates. As income ranges increase so does the amount of municipal taxes paid; however, the amount of taxes paid compared to income decreases. The City provides a high level of service and value to all its taxpayers while remaining affordable. Even for lower income ranges tax effort is still at an affordable level relative to the services being provided.

In 2022, property tax assessments increased by 8.21% while the New Brunswick's Consumer Price Index (NB CPI) rose by 8.04% for the year. Over the last ten years, property assessments have risen on average 2.2% per year, while the NB CPI averaged growth of 2.3%. This means that property taxes have remained consistent relative to other household expenses.



Increasing Surplus-to-Tax Assessment

The accumulated surplus measures the current and all prior years' operating results. Comparing the growth in accumulated surplus with the growth in the economy is an indicator of sustainability.

The accumulated surplus has increased due to investments in infrastructure, and the overall accumulated surplus has increased in relation to the economy (as measured by the tax base). The continuing trending increase in surplus-to-tax assessment is a favourable indicator of financial sustainability.

However, tax base growth from new construction is a significant source of funding used to sustain existing services and infrastructure. To mitigate this risk, the City employs two key planning strategies:

- Increase development density to optimize services and amenities
- Intensify development with mixed uses

The City also benefits from stimulus funding and other government transfers for major capital projects which have resulted in an increase in the accumulated surplus.

Risks and Uncertainties

The City has identified certain risk exposures related to its financial sustainability and ability to meet its strategic objectives.

Inflationary increases like have not been seen in many years are having a significant impact on operations and buying power. In addition, supply chain delays, lack of available resources and a low number of bids on many tenders is a trend that is being closely monitored to determine long term impacts on service delivery.

Slowing Revenue

- While going through a sharp increase to assessment amounts for properties in 2022/2023, growth in the property tax base is projected to remain quite low and may not be enough to offset other revenue shortfalls and keep pace with inflationary costs including the drastic rise in inflation. A strong real estate market and strong development/new construction will hopefully result in the City's ability to continue to provide existing services within the budget parameters anticipated.

Rising Costs

- Personnel costs now account for 52.6% [2021 – 52.7%] of total costs and are projected to continue to rise
- Public Safety personnel costs account for 21.7% of the overall municipal expenses. Public Safety labour contracts and salary amounts are generally reached through a process of interest arbitration. This process limits the employer's efforts to control labour costs and continues to increase the costs of emergency services because contract increases are generally benchmarked against other jurisdictions, creating a leapfrog effect that escalates salaries beyond inflation.

Financial Risks

- Volatility in oil prices affect the City's operating budgets significantly. Fuel is a major input to the City's general operations and accounts for 2.1% of total expenses. The City uses nearly 2 million litres of fuel per year to operate buses, trucks, machinery, and fire and police vehicles. Each $0.01/litre increase in the cost of fuel costs the City approximately $20,000 more per year. Oil is also a major factor in the price of asphalt for construction projects.
- Gains and losses on U.S. currency create volatility in managing a balanced budget. A declining Canadian dollar generates gains on U.S. holdings but makes purchases from U.S. suppliers more expensive.
- The City is exposed to interest rate risk on its debentures which have 20-year amortization periods that began to partially mature starting in 2016 and need to be refinanced for the remaining balances. The City is required to borrow through the New Brunswick Municipal Finance Corporation. If long-term bond rates rise or if the credit rating of the Province deteriorates, the interest rate on the City's bonds could increase. A 1% increase in the interest rate could result in an increase in annual interest expense of approximately $390,000.
- The City faces uncertain costs for the police and fire fighters' defined benefit pension plan and the City is taking steps to determine a long term solution to this risk

Environmental Risks

- Environmental risks due to climate change and extreme weather events may require major additional investments in infrastructure to adapt, or increase operating costs related to dealing with storm events and natural disasters.

Economic Risks

- Provincial economic performance has a direct impact on municipal service expectations. In the past poor provincial economic health led to the downloading of responsibilities and costs to municipalities. Overall economic health impacts employment growth, which in turn can cause changes in development and tax base revenue.

Economic Risks

- Major investments to upgrade and replace failed and aging infrastructure are required to reduce the infrastructure deficit, maintain municipal services and meet strategic objectives
- Impacts of climate change on City owned infrastructure and the requirements for mitigation and adaptation

Strategies and Techniques for Managing Risk

The City employs a number of strategies for dealing with financial risk. Financial strategies are focused on sustaining the City over the long-term and are centered on a long-term financial plan, a results-based budgeting process, and a corporate culture focused on finding efficiencies in service delivery.

Municipal Plan

- Imagine Fredericton. This was the call to action in 2016 for residents, businesses, City Council, the Mayor, and the City's directors, planners and staff. Imagine Fredericton is the marketing brand name of the public consultation phase of a new municipal plan that the City began in 2015. The existing municipal plan was adopted by Council in 2007. The new municipal plan takes input from the public and professional planners and staff to develop a new growth strategy for the City. The updated municipal plan will direct the City's investment in infrastructure, land use development, and service delivery. The municipal plan is the main strategic document that guides the long-term financial plans, corporate strategic plans, and the results-based budget.

Long-term financial plans

- The Council continues to adhere to a strategic long-term financial plan for the General Fund that addresses the infrastructure deficit, sets debt limits, and provides sustainable levels of funding for services and infrastructure.
- Capital borrowing policies aimed at maintaining financial sustainability; the long-term strategic plan sets a maximum target of 8% of revenue for debt servicing costs.
- Council has also adopted a long-term financial plan for the Water & Sewer utility.

Results-based budgeting

- In 2018, the City continued the process of redeveloping its budget process to create a strategic financial management and governance system that budgets by results areas. Budgeting for results focuses budget dollars on areas that achieve the best results for citizens and maximizes the value that citizens receive in return for their tax dollars.
- The process creates alignment between staff and the Council and provides the flexibility necessary to address the most important community concerns within a sustainable level of funding.

Corporate strategies

- Strategies to mitigate the risks of rising costs include the corporate reorganization in 2012, the workforce reduction strategy, and training aimed at reducing operating costs by eliminating waste through Lean and Six Sigma efficiency initiatives, while maintaining and improving service delivery. For 2018 and beyond, the City is introducing Improvement Targets to achieve required savings while improving services to Customers.

Indicators of Financial Health

This analysis gives a broader view of the financial health of the City as it shows trends over time. The information augments the audited financial statements, which only reflect the City's fiscal status at a point in time.

	Indicator	Purpose	2018	2019	2020	2021	2022	Analysis
Sustainability	Assets-to-liabilities	Measures extent that government finances its operations by issuing debt	11.19	9.42	11.26	10.41	10.64	Favorable
	Financial assets-to-liabilities	Measures whether future revenues will be needed to pay for past transactions	97%	99%	115%	119%	138%	Favorable
	Net debt-to-total revenue (percent)	Shows whether more time is needed to pay for past transactions	1%	-3%	-9%	-11%	-20%	Favorable
	Net debt-to-taxable assessment	Shows the relationship between Net Debt and the activity in the economy	0.02%	-0.07%	-0.18%	-0.23%	-0.39%	Favorable
	Accumulated surplus (deficit)-to-taxable assessment	Measures the sum of the current and all prior year operating results relative to the growth in the economy	8.31%	8.25%	8.10%	8.19%	7.81%	Favorable
	Total expenses-to-taxable assessment	Shows the trend of government spending over time in relation to the growth in the economy	1.78%	1.88%	1.82%	1.81%	1.66%	Neutral

	Indicator	Purpose	2018	2019	2020	2021	2022	Analysis
Flexibility	Debt service charges-to-revenues	Measures extent that past borrowing decisions limits ability to meet current financial and service commitments	3.97%	4.05%	3.75%	3.48%	3.45%	Favourable
	Net book value of capital assets-to-cost of capital assets	Measures the estimated useful lives of tangible capital assets available to provide products /services	65.82%	64.72%	63.87%	64.05%	63.32%	Unfavorable
	Own-source revenues-to-taxable assessment	Measures extent income is taken out of the economy	1.83%	1.84%	1.86%	1.82%	1.78%	Neutral
Vulnerability	Government transfers-to-total revenues	Measures the dependence on another level of government	10.64%	11.13%	10.29%	12.15%	9.87%	Neutral
	Foreign currency debt -to-net debt	Measures the government's potential vulnerability to currency fluctuations	N/A	N/A	N/A	N/A	N/A	Debt is financed through the MCBB in Canadian Funds

Sustainability is the degree to which a government can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without increasing the debt or tax burden relative to the economy within which it operates. Sustainability is an important element to include in an assessment of financial condition because it describes a government's ability to manage its financial and service commitments and debt burden. It also describes the impact that the level of debt could have on service provision. For example, a government whose net debt grows at a faster rate than the gross domestic product (GDP) increases the risk that service levels cannot be sustained.

Flexibility is the degree to which a government can change its debt or tax burden on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. Flexibility provides insights into how a government manages its finances. A government that increases its current borrowing reduces its future flexibility to respond when adverse economic circumstances develop. Similarly, increasing taxation or user fees or a high tax burden reduces its ability to increase taxation in the future as a government approaches the limit that citizens and businesses are willing to bear.

Vulnerability is the degree to which a government is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. Vulnerability is an important element of financial condition because it provides insights into a government's reliance on funding sources outside its direct control or influence and its exposure to risks. A government whose vulnerability is relatively low has greater control over its financial condition.

Financial Statements