



City of Saint John Funding Agreement – Special Review - Executive Council Office

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One-Page Chapter Summary

Why Is This Important?

- The Province of New Brunswick entered into a funding agreement with the City of Saint John to provide up to \$22.8 million to address the city's anticipated budget deficit.
- It is abnormal for the Province to provide financial assistance to address a municipal deficit, especially since municipalities are discouraged from operating with ongoing deficits.
- Provincial agreements must comply with legislation and include safeguards to minimize risk to taxpayers.

Overall Conclusions

- The City of Saint John Funding Agreement constitutes excessive risk to New Brunswick taxpayers.
- Agreement terms created inappropriate incentive for city to report deficits to maximize funding.
- Other municipalities may be enticed to report deficits and seek financial relief from the Province.
- In our view, Agreement terms effectively circumvented the *Local Governance Act* meant to discourage ongoing municipal deficits.
- Legislative authority was not obtained before funding was provided.

What We Found

Excessive Risk to New Brunswick Taxpayers

- Province's financial assistance inappropriately dependent on City reporting a deficit
- Funding agreement did not include specific outcomes and set risky precedent for Province
- Government negotiators allowed removal of key agreement clauses protecting the Province
- No provincial analysis to confirm the City's 3-year anticipated budget deficit
- Report intended to solve long-term problems months overdue

Agreement Rushed

- Premier appeared to guarantee assistance to Saint John before obtaining Cabinet approval
- Property Tax compensation paid before Agreement signed by Premier
- Rushed decisions resulted in several development and implementation issues
- Key Department (Environment and Local Government) not involved in decision making process or development of the Agreement
- Supporting documentation for decision inadequate and lacking in clarity
- News release containing agreement details made public before agreement finalized

AG Concerns with Legislative Compliance

- In our view, Agreement circumvented *Local Governance Act* which discourages ongoing deficits
- No budget appropriation for Funding Agreement violates intent of *Financial Administration Act*