



# Financial Statements

## Year Ended December 31, 2020

*Fredericton*

## Vision

In the future, Fredericton (the City) will continue to be a vibrant, prosperous, and smart city. Fredericton will be a livable city compatible with its rich heritage and natural attributes. The City will proudly project its role as the provincial capital, as well as the centre for higher education, culture and the knowledge industry.

Growth and development will occur at a human scale compatible with the environment. Fredericton will be a livable city with an abundance of open spaces provided. This will continue to be one of its most cherished qualities. Fredericton is, and will continue to be, a city that affords its citizens a high quality of life. *(Abbreviated version from the City's Municipal Plan)*

## Mission

Contributing to the Quality of Life in our Community

The City of Fredericton is committed to providing leadership, in partnership with community leaders, to enhance the quality of life for its citizens and to deliver services in an effective, efficient, professional and financially responsible manner.

## Program Results Areas

<b>Governance and Civic Engagement:</b>	Vision, leadership and decision-making for the common good, generated by an informed and engaged community working in collaboration with City government.
<b>Corporate Efficiency:</b>	Efficient, effective and responsive Corporate services.
<b>Mobility:</b>	A safe, multi-modal transportation system with varied opportunities for the movement of people and goods.
<b>Livable Community:</b>	A socially progressive and diverse community guided by comprehensive, sustainable community planning offering varied opportunities for cultural enrichment and active living, and ensuring the preservation of the City's cultural and historical identity.
<b>Economic Vitality:</b>	Focused economic growth, stability and prosperity.
<b>Environmental Stewardship:</b>	A community that respects its natural environment, minimizes its environmental impact, and adapts to and mitigates climate change.
<b>Public Safety:</b>	A safe and secure community.
<b>Sustainable Infrastructure:</b>	Municipal infrastructure planned and financed in a sustainable manner.

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## Governance and Strategic Management

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

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.

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% Pay-As-You-Go (PAYG) capital budget allocation provides 20% of the budget allocated to capital assets and infrastructure, which is the amount required to maintain service levels and address stable growth.

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.

# 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 2020 was \$152 million, up slightly from \$151 million in 2019. The increase is attributable to increased property tax revenues due to increased assessments and new construction growth.

<b>Revenue</b>	<b>2020</b>
Property taxes	\$ 108,183,452
Sales, fines and other fees	27,067,387
Services to other governments	3,419,153
Community funding and equalization grant	1,892,378
Third party contributions:	
Infrastructure installations funded by private development	2,092,364
Federal and Provincial infrastructure funding	8,218,397
Return on investments, and other miscellaneous revenue	914,179
<b>Total revenue</b>	<b>\$ 151,787,310</b>

Revenue from sales, fines and fees decreased by \$2.1 million, or 7.2% over the prior year due to lower usage of public transit, parking, and recreation facilities due to COVID-19.

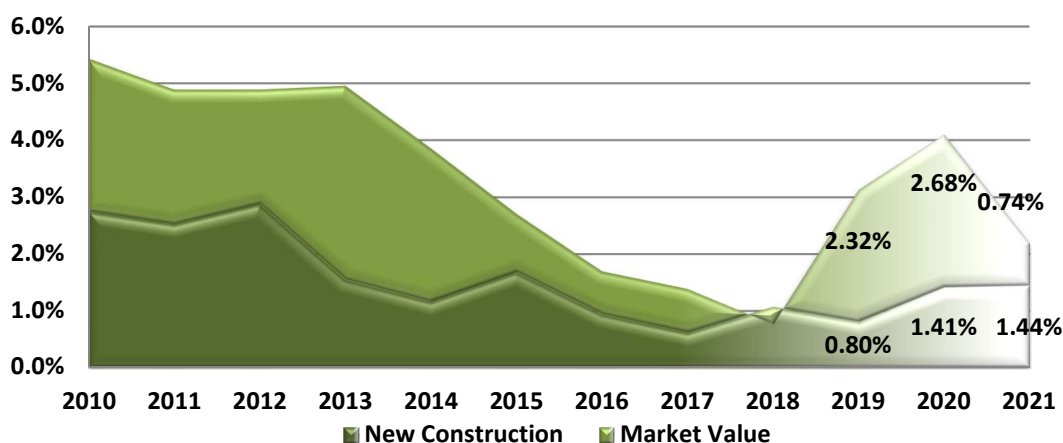
Rising public safety personnel costs and increasing needs for public safety infrastructure renewal continue to be the key drivers for negotiating new service contracts. Staff continue to negotiate contracts with neighboring communities for such services as Policing and Fire Protection of Saint Mary's 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.

### Revenue growth from property taxes is unpredictable

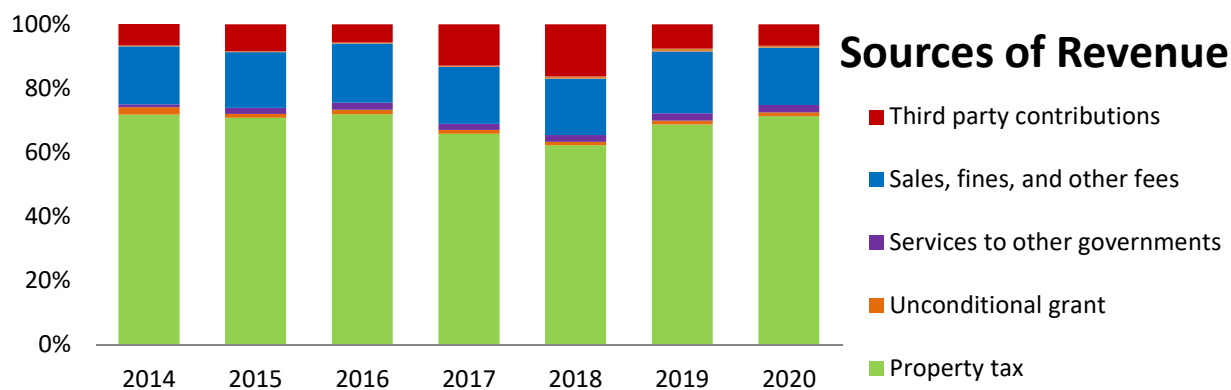
The City's revenue growth from property tax was on a downward trend but has somewhat rebounded after the property tax freeze in 2018. Tax base growth is composed of new construction and increases in the assessed market value of existing properties.

Tax base growth in 2020 resulting from new construction was 1.41%, while market assessments increased by 2.68% due to the hold on assessments due to the property tax assessment freeze. There continue to be a high number of reassessments resulting in a reduction to the assessment base. Both are still below the 10-year averages of 1.5% and 1.8%, respectively, and are forecasted to remain low over the next five year period. For the 2021 budget, the tax base from new construction grew by 1.44% with market assessments growing by 0.74% due to the assessment adjustment. Due to the current COVID-19 pandemic it is extremely difficult to estimate what 2022 tax base assessment numbers will be based on adjustments required to the commercial sector. The City is seeing increased residential transactions which will help with market assessments for the residential properties.

### Growth in the Property Tax Base



While growth in the property tax base is quite low, the City maintains a high reliance on Property Taxes as the main source of revenue. In 2020, Property Tax revenue was approximately 71% 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 five-year period, from

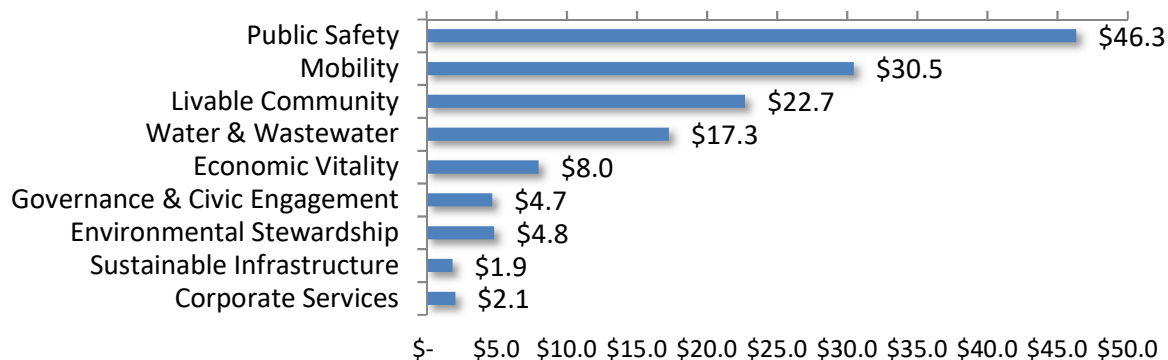


\$5.78 million in 2011 to \$1.71 million in 2015. In 2020, the Community Funding and Equalization grant was 1.3% of total revenue, compared to 4.3% in 2011.

### 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.

#### Expenditures by Program Results Area (in \$ millions)



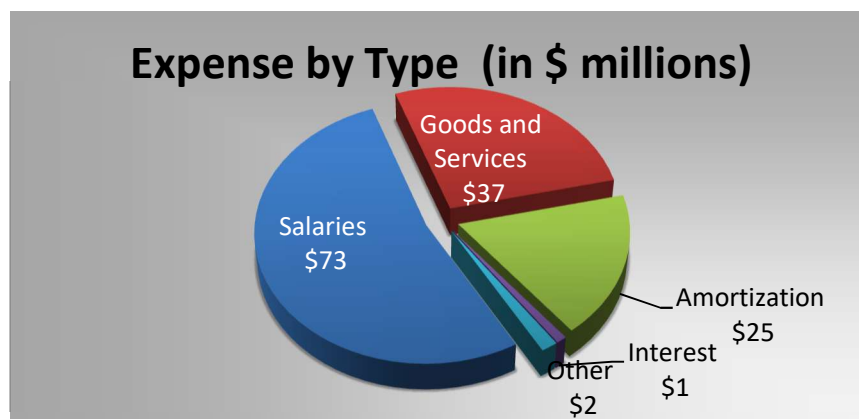
\* Corporate Services and other overhead costs are reallocated to the external services.

### 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 2020 were \$138.3 million, compared to \$137.5 in 2019.

Expense by Type (in \$ millions)	2020	2019	2018
Salaries	\$ 72.9	\$ 71.8	\$ 67.0
Goods and Services	37.4	39.4	32.6
Amortization	24.6	24.3	23.0
Interest	1.3	1.6	1.8
Other	2.1	0.4	1.5
	<b>\$ 138.3</b>	<b>\$ 137.5</b>	<b>\$ 125.8</b>



\*Amortization is at historical cost and does not reflect the current cost of replacing assets.

## 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. During 2019 and 2020, CUPE Locals 3864, 508 and 1709 agreed to contract settlements linked to NB CPI. CUPE Local 1783 ratified their new contract which is also based on NB CPI in early 2021. The non-bargaining employees and Council also have their salaries linked to NB CPI. The next two years will result in newly renegotiated contracts for IAFF Local 1053 (Fire) effective January 1, 2020 with UBC Local 911 (Police) effective January 1, 2021.

## Costs are expected to increase faster than revenue growth

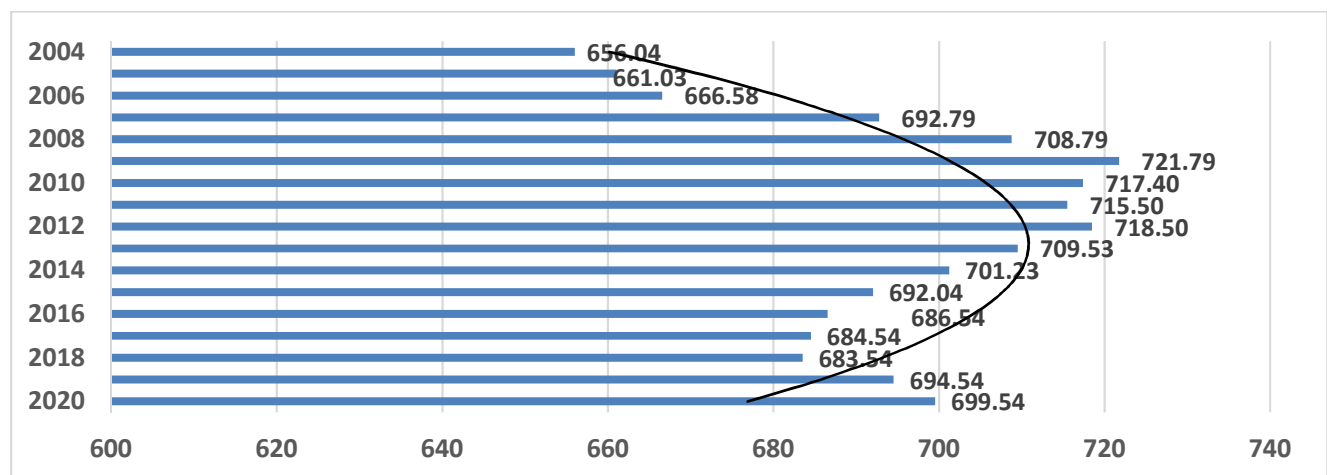
The City's inflationary costs have been increasing at a rate higher than revenues being generated through property taxes and are also higher than a typical consumer's inflation as measured by the Consumer Price Index.

For 2020, 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 without impacting the tax rate that the residents pay. The City continues Innovation and Improvement Initiatives to offset other higher costs, however there is a risk that the outpacing of the revenue growth could result in adjustments to services if the contract awards are higher than the City can afford.

In addition to expenses, COVID-19 and associated lock-downs and restrictions had a significant impact on the City's ability to provide services and collect non-tax revenue for those services. Most heavily impacted services included Transit, Parking and Recreational Programming and Rentals.

## Rightsizing the workforce is imperative for sustainability

In years of high revenue growth, there was a 10.6% increase in the number of full-time equivalent employees added to the workforce. With salary costs rising faster than the expected growth in the tax base, it is imperative that the workforce be right-sized through efficiencies back to a sustainable level.



2019 was the first year to mark a property tax rate increase in 10 years. This is primarily the result of increased costs associated with adding 10 temporary Police Officers for 2 years to adjust the workforce to accommodate members that were unable to work post August 10<sup>th</sup>, 2018 as well as significant increases to the Work Safe premiums that resulting in 70% increase to those costs. Over the prior five years, the City had maintained a balanced budget with no reduction in services or increases in the tax

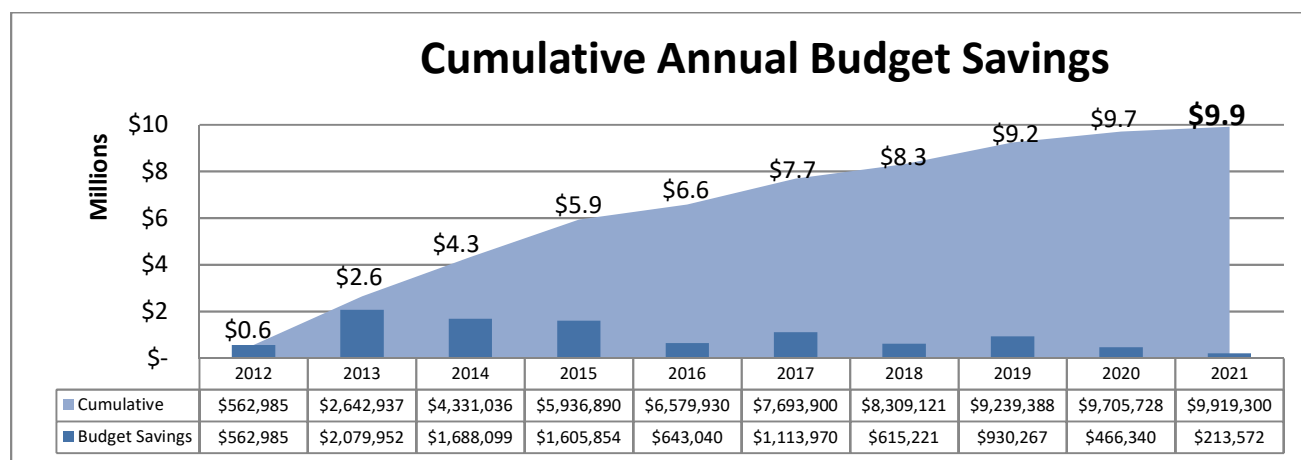


rate. Savings have been achieved through a reduction in the workforce, and efficiency projects using the Lean Six Sigma Methodology.

### Corporate efficiency strategy focused on Lean 6 Sigma continues to have a positive impact on the bottom line

In 2020, there was continued focus on finding efficiencies and eliminating waste from service delivery processes. The corporation’s strategy focuses on building the capacity of employees to find innovative ways to achieve better service delivery at lower costs by eliminating waste and improving business processes.

Since 2012, more than 60 employees have undertaken Lean Six Sigma training and have received Green Belt or Black Belt certification. Over 220 employees have received some form of training in Lean and more than 300 employees have participated in Innovation and Improvement projects. Since 2012, the City has realized total cumulative annual efficiency savings of \$9.9 million.



The impact of the cumulative budget savings on the General Operating Fund Budget has enabled the City to achieve a balanced budget without raising the property tax rate, while maintaining and enhancing services. The budget savings achieved so far have helped the City to avoid costs equivalent to a \$0.13 increase in the tax rate. The ongoing impact of these existing savings on future periods has placed the City in a good financial position to be able to deal with the next set of budgetary challenges. Continuing to focus on efficiencies through Lean Six Sigma and managing the workforce will help the City to close the forecasted gap in revenue and expenditures expected in the future.

### 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 2020, the City’s General Operating Fund ended the year with a surplus from regular operations of \$2,395,341 or 1.9% of total revenue. The Water & Sewer Utility Fund ended with a cash budget surplus of \$1,718,130 or 6.1% 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 \$424,493 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 losses of \$45,093 and unrealized gains on investments of \$8,261. Including the subsidiary companies, and the effect of unrealized foreign exchange gains and unrealized investment losses, the City's Consolidated General Operating Fund deficit is \$2,783,002 or 2.2% of revenue.

### [Investments in infrastructure are necessary to sustain service delivery](#)

For 2020, the City reported tangible capital assets with a historical cost of \$938 million and \$339 million in accumulated amortization, resulting in a net book value of \$599 million. During the year, the City recognized amortization expenses of \$24.6 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 2020, amortization expense was recorded at \$24.6 million, while the total investment in replacement and new infrastructure was \$31.5 million. Capitalizing investments as assets and recording amortization expense under PSAB standards resulted in an annual expense that was \$6.9 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 \$13.5 million and an accumulated surplus of \$616 million, compared with an annual surplus of \$13.9 million and a year-end accumulated surplus of \$602 million in 2018.

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 \$13.5 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 \$0.6 million in linear assets.

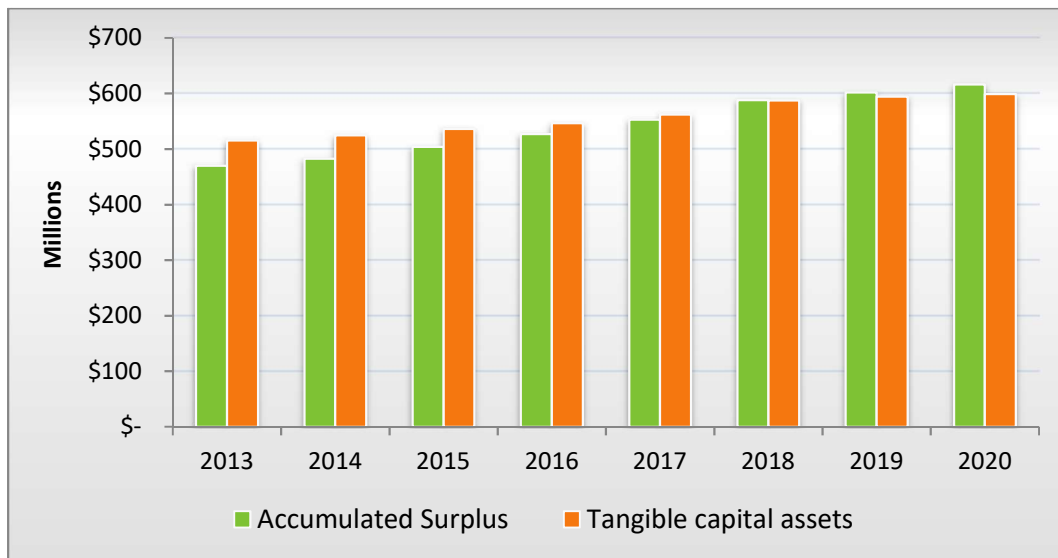
Also included in third party contributions are government transfers and funding for major capital projects. In 2020, the City recorded Federal Gas Tax revenue of \$4.1 million used to provide water and sewer system upgrades. The Federal and Provincial governments contributed investments in other infrastructure valued at \$2.6 million including contributions for the Bill Thorpe Walking Bridge 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.

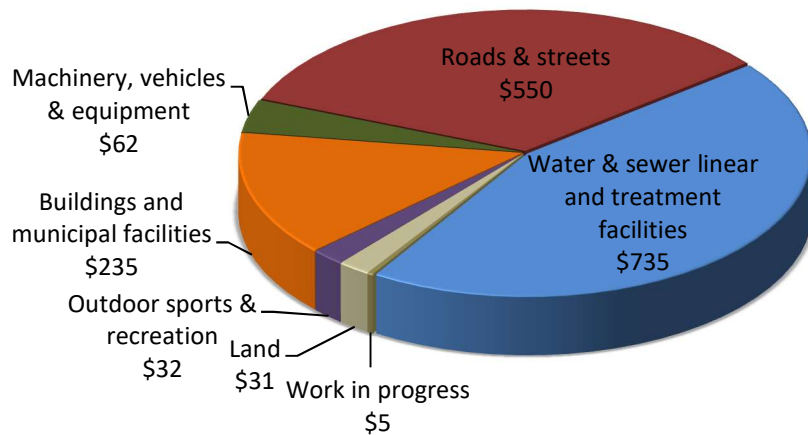
## Investments in infrastructure support Program Results

During 2020, 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	Kimble Fire Station – Solar Panels, McKay Drive Slope Stabilization	An environmentally conscious community
Livable Community	Bill Thorpe Walking Bridge renewal, All Wheeled Sports Plaza, Officer Square	A vibrant, well-planned, connected and active community
Mobility	Transformation of Brookside Drive into the City’s first “complete street”, Continued investment in renewal of transportation network	New equipment and infrastructure to provide safe, accessible, options for movement around the community.
Water and Wastewater	Barrett Water Treatment Plant upgrades, upgrades at the Barker Street Wastewater Treatment Facility and other core water and sewer renewal projects	Infrastructure to provide safe and clean water

## Infrastructure Condition and Deficit

### Total Replacement Value of Infrastructure \$1,650 Million



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	2020	2019
Outdoor sports & recreation	\$ 1.9	\$ 1.9
Buildings and municipal facilities	33.5	32.8
Machinery, vehicles & equipment	6.7	7.6
Roads & streets	59.0	52.3
Water & sewer linear and treatment facilities	200.5	199.9
	<u>\$ 301.7</u>	<u>\$ 294.5</u>

### 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.

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.



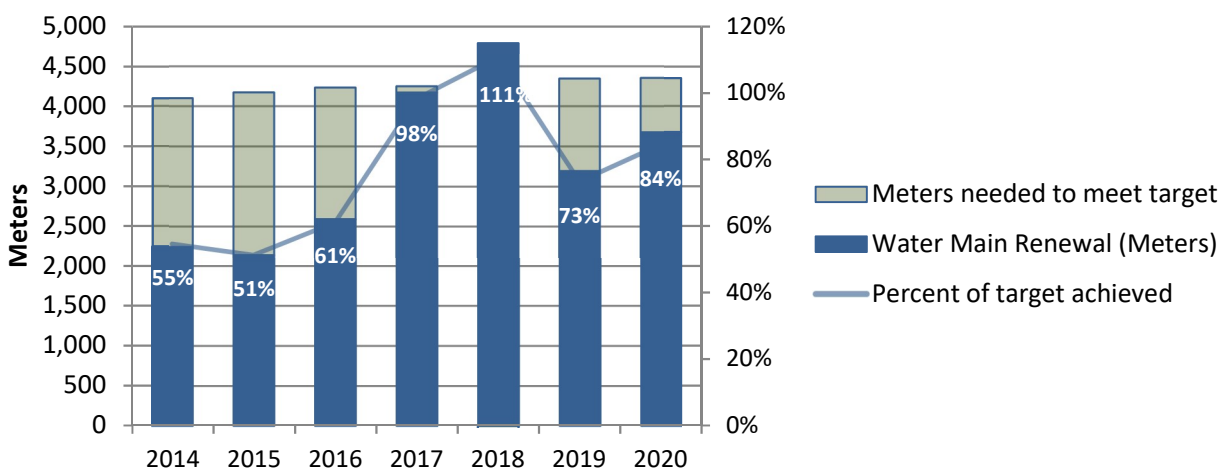
### Water and Sewer linear assets represent the largest area of infrastructure deficit

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 Fredericton Area Pollution Control Centre treatment plant along with one sewage treatment lagoon. Water and waste water are distributed and collected using over 830 kilometers of underground piping.

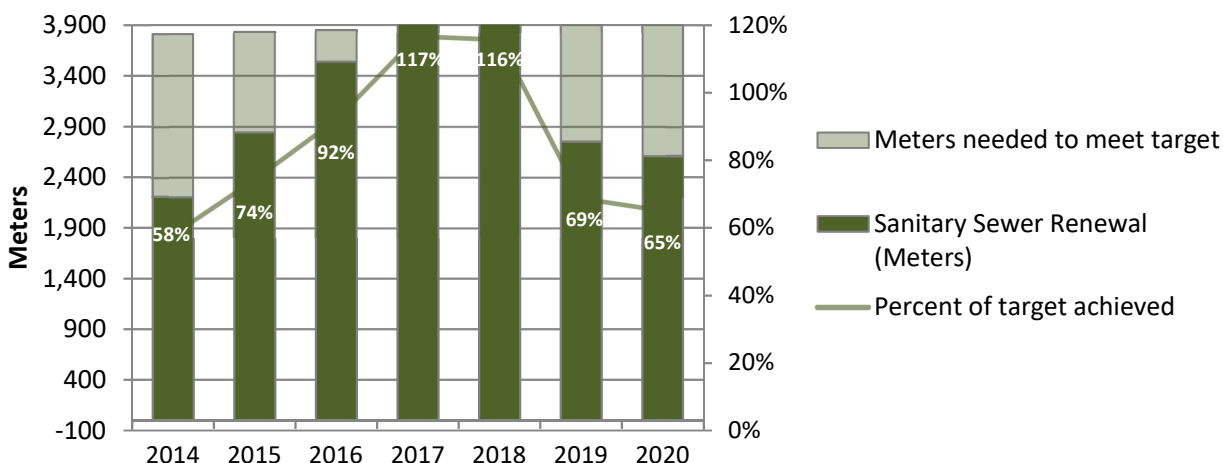
Water & Sewer Linear Assets	Total Length (km)	Infrastructure in Service Beyond Expected Useful Life		
		Length of Deficit (km)	Percent of Total	Replacement Cost (in millions)
Water mains	435.3	188.6	43%	\$ 132.0
Sanitary sewers	400.8	37.8	9%	\$ 23.0

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



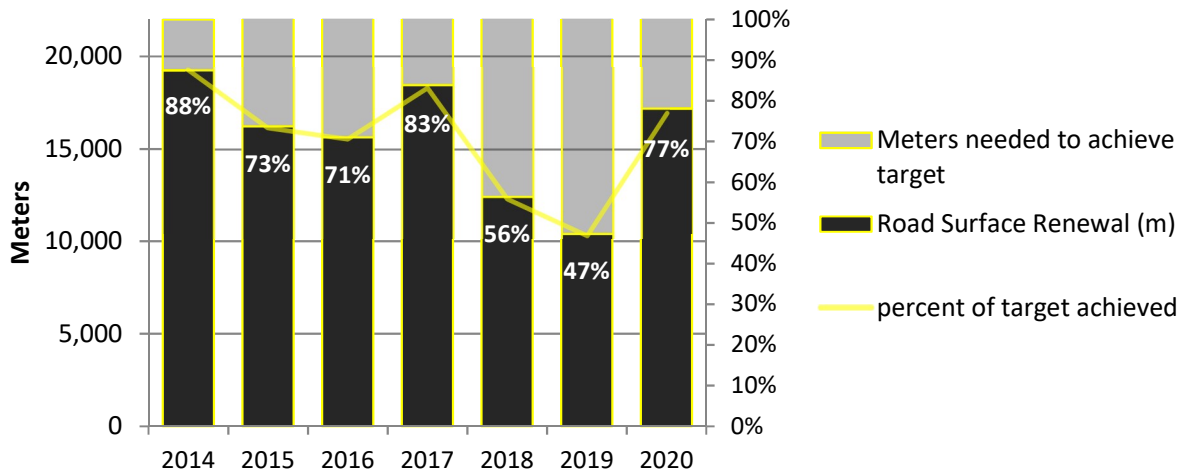
### Sanitary Sewer Renewal Compared to Target



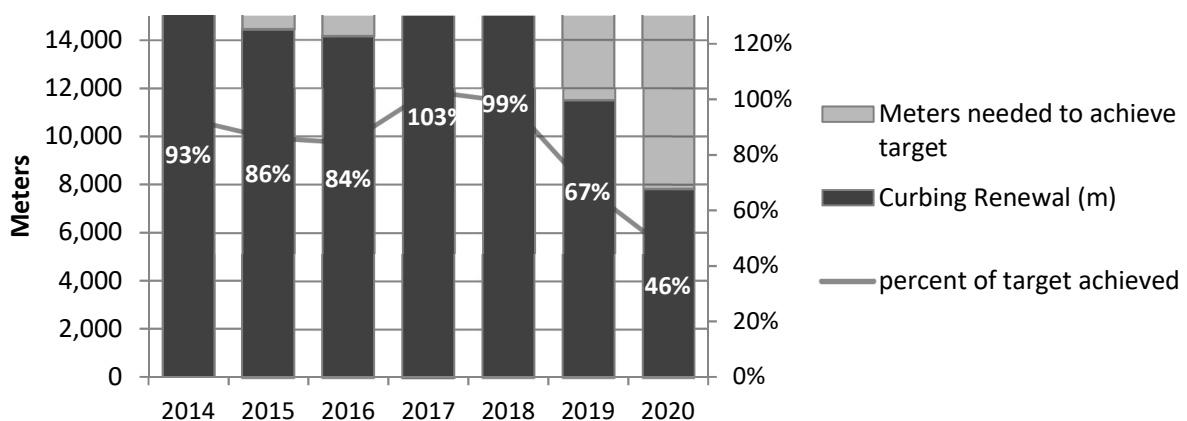
## Roads and Streets assets require significant reinvestment to sustain the quality of service

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	372.4	71.2	19%	\$ 14.4
Road base	389.6	36.5	9%	\$ 22.8
Curbing	572.1	58.7	10%	\$ 8.1
Sidewalk	251.1	20.1	8%	\$ 4.4

### Road Surface Renewal Compared to Target

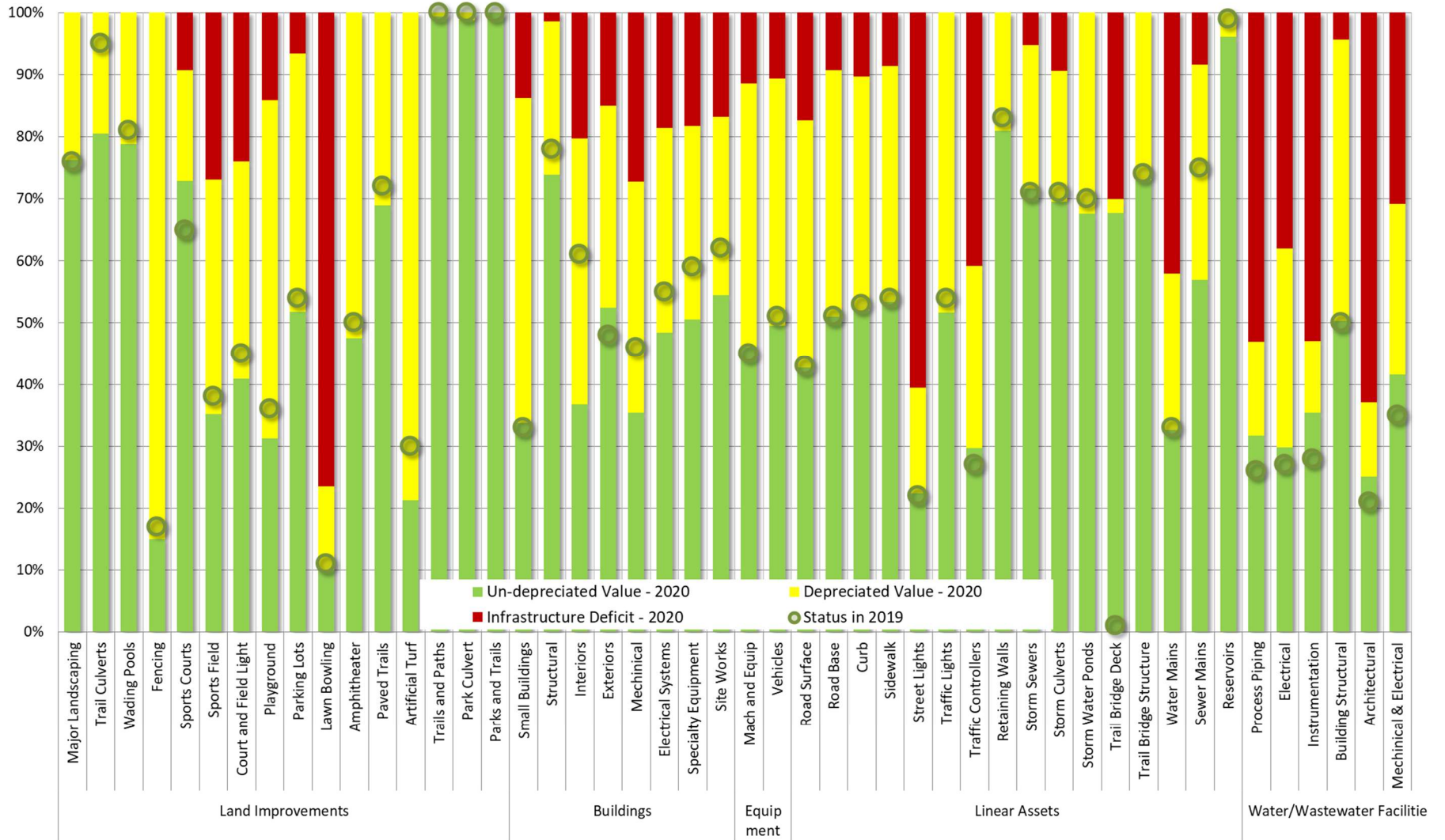


### Curbing Renewal Compared to Target



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

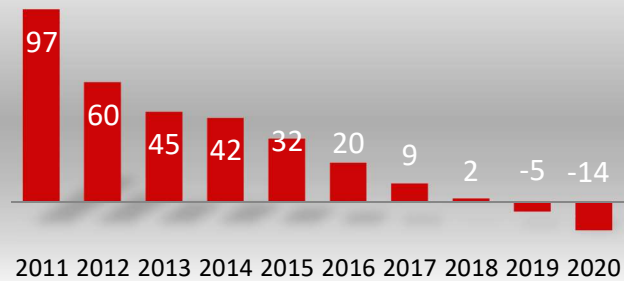
Debt is an important measure of financial health and future prospects for the City of Fredericton. Net debt represents the future amount of revenue required to fund existing commitments, and indicates the affordability of additional spending. It is calculated as the total short and long term financial 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 2020, the City continued to repay its long-term debt, further reducing net debt.

- For the year ended December 31, 2020, net debt decreased to -\$14 million.

**The City of Fredericton Net Debt  
(In \$Millions)**

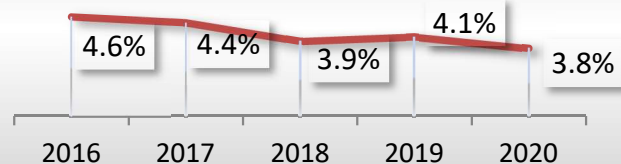


### Debt Servicing Costs

Debt servicing costs were 3.8% of total revenue in 2020. The long-term financial plan sets a target debt servicing ceiling of 8% of total recurring revenue.

- Debt servicing costs of \$5.3 million were recorded in 2020, including \$1.3 million in interest and \$4.0 million in principal repayments.

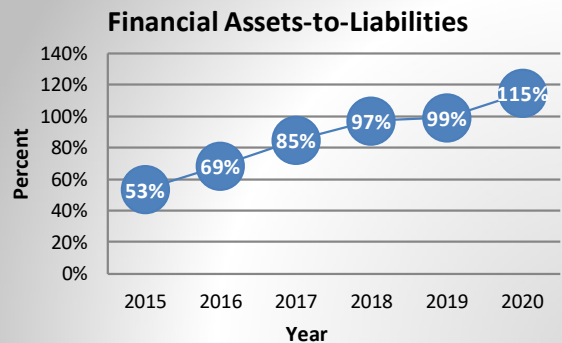
**Debt Servicing Costs to Revenue  
(8% Debt Ceiling)**



### Improving Asset-to-Liability ratio

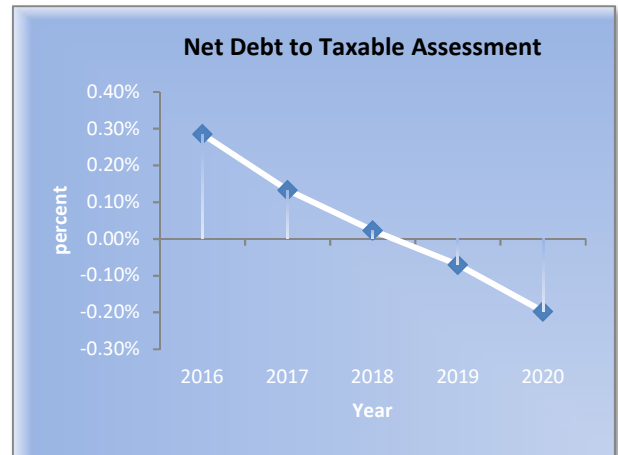
In 2020, the City continued to pay down outstanding debt. The City also received increased contributions from other levels of government for infrastructure projects reducing out-of-pocket expense for these projects. The result is an increase in the ratio of financial assets to total liabilities which 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%



## 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.



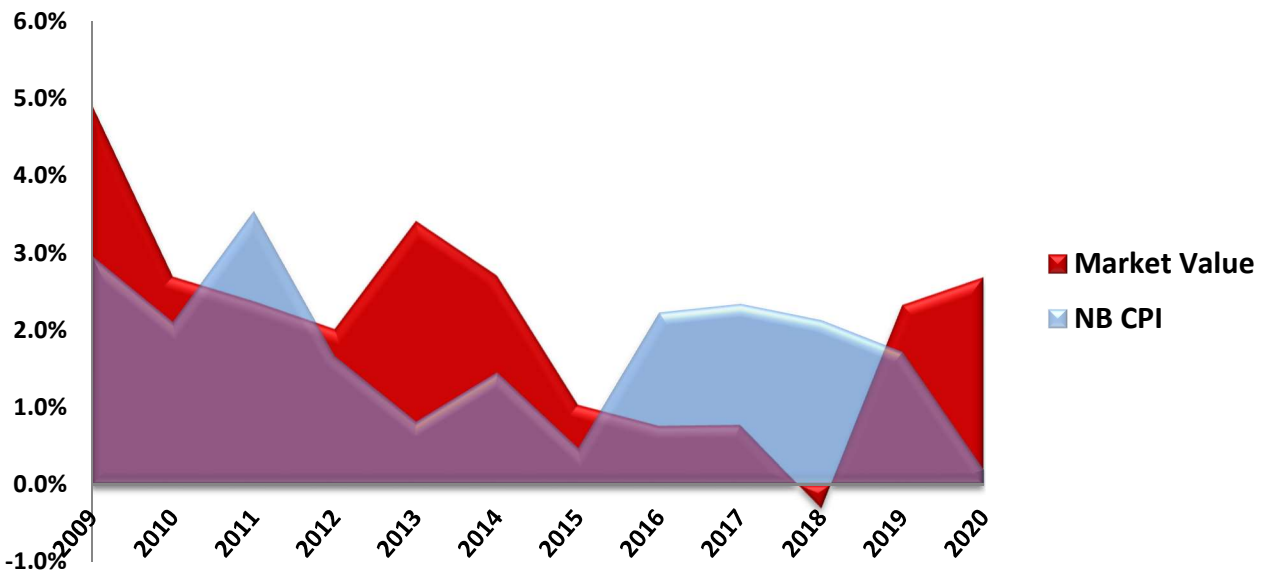
## Municipal Tax Burden

In 2020, Fredericton's overall Municipal Tax Effort was 4.7%. This means that for the average residential unit 4.7% 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 of its taxpayers while still remaining affordable. Even for lower income ranges tax effort is still at an affordable level relative to the services being provided.

In 2020, property tax assessments increased by 2.68% while the New Brunswick's Consumer Price Index (NB CPI) rose by 0.22% for the year. Over the last ten years, property assessments have risen on average 1.8% per year, while the NB CPI averaged growth of only 1.7%. This means that property taxes have become more expensive relative to other household expenses.

2016 through 2018 were the first three years in the past 12 years that property tax assessment increases were below the average NB CPI.

## Market Assessments Compared to NB CPI



## 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.

Continued impacts from COVID-19 are a very significant risk and provides a level of uncertainty that has never been seen before. It is anticipated that there will be ongoing impact to services as a result of the pandemic. Tax base adjustments, lower usage of transit services, lower usage of parking services and changes to revenue from recreational services are anticipated to continue as a new "normal".

The most significant financial risks for the City are related to rising municipal costs due to salary increases, particularly arbitrated settlements and public safety costs, and the size of the workforce, combined with reduced revenue caused by the slowdown in property tax base growth. This creates a structural deficit in operating budgets and undermines the City's ability to sustain services and infrastructure over the long term.

### Slowing Revenue

- Reduction of \$3.93 million in the Community Funding and Equalization grant transfer from the Province of New Brunswick over a three year period from 2013-2015. This increases the City's reliance on property tax revenues and user fees.
- 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. 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 52.9% [2019 – 53.0%] of the overall budget and are projected to rise faster than inflation and revenue growth.
- Public Safety personnel costs account for 23.6% 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 1.6% 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.
- 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.

### 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

- The Province of New Brunswick government is facing severe financial challenges. The Province's debt is increasing due to operating deficits. This could impact the City in a number of ways including downloading of Provincial responsibilities and costs to the City, reduction in maintenance of Provincial highways within the City, loss of jobs in the Capital region, increases in taxation, and other economic impacts.
- Regionalization of municipal services may occur creating uncertain cost impacts for the City's operating budget.
- Provincial economic conditions may be worsening and economic development activities may not result in an improved economic environment.
- The City faces uncertain costs for the police and fire fighters' defined benefit pension plan.
- Major investments to upgrade and replace failed and aging infrastructure are required to reduce the infrastructure deficit, maintain municipal services and meet strategic objectives

## 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, and the new plan is expected to be completed in 2019. The new municipal plan will take input from the public and professional planners and staff to develop a new growth strategy for the City. An 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.

### Visibility boards

- The City has implemented the practice of daily management and visibility boards. The daily management boards, CAO dashboard, and Council visual governance boards show organizational goals, operational and strategic performance indicators, and progress on Lean Six Sigma projects and priorities for each area of service delivery. These boards ensure alignment and daily execution of corporate and strategic initiatives.

## 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	2016	2017	2018	2019	2020	Analysis
Sustainability	Assets-to-liabilities	Measures extent that government finances its operations by issuing debt	9.36	9.87	11.19	9.42	11.26	Favorable
	Financial assets-to-liabilities	Measures whether future revenues will be needed to pay for past transactions	69%	85%	97%	99%	115%	Favorable
	Net debt-to-total revenue (percent)	Shows whether more time is needed to pay for past transactions	14%	6%	1%	-3%	-9%	Favorable
	Net debt-to-taxable assessment	Shows the relationship between Net Debt and the activity in the economy	0.29%	0.13%	0.02%	-0.07%	-0.19%	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	7.60%	7.87%	8.31%	8.25%	8.43%	Neutral
	Total expenses-to-taxable assessment	Shows the trend of government spending over time in relation to the growth in the economy	1.70%	1.77%	1.78%	1.88%	1.89%	Neutral

	Indicator	Purpose	2016	2017	2018	2019	2020	Analysis
Flexibility	Debt service charges-to-revenues	Measures extent that past borrowing decisions limits ability to meet current financial and service commitments	4.56%	4.46%	3.97%	4.05%	3.75%	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	66.27%	65.75%	65.82%	64.72%	63.87%	Unfavorable
	Own-source revenues-to-taxable assessment	Measures extent income is taken out of the economy	1.78%	1.80%	1.83%	1.84%	1.86%	Neutral
Vulnerability	Government transfers-to-total revenues	Measures the dependence on another level of government	9.07%	16.06%	10.73%	11.13%	10.29%	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



# CITY OF FREDERICTON

Consolidated Financial Statements

Year ended December 31, 2020

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## Independent auditor's report

To His Worship the Mayor and Members of the City Council of the  
**City of Fredericton**

### Opinion

We have audited the consolidated financial statements of the **City of Fredericton** [the "City"], which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of operations and accumulated surplus, consolidated statement of changes in net surplus and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2020 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Management is responsible for the other information. The other information comprises the Financial Statement Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the City's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fredericton, Canada  
April 22, 2021

*Ernst & Young LLP*

Chartered Professional Accountants



# CITY OF FREDERICTON

## Consolidated Statement of Financial Position

As at December 31, 2020

	2020	2019
<b>Financial assets</b>		
Cash and cash equivalents <i>[note 2]</i>	\$ 52,871,383	\$ 52,016,559
Investments	5,307,873	5,408,196
Accounts receivable	9,272,433	11,947,934
Accrued pension asset <i>[note 10]</i>	5,198,100	5,745,800
Assets held for sale	806,374	806,374
	<b>\$ 73,456,163</b>	<b>\$ 75,924,863</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 9,446,604	\$ 16,889,073
Deferred revenue	4,166,688	3,773,988
Deferred government transfers <i>[note 6]</i>	5,160,678	5,152,877
Deposits <i>[note 4]</i>	1,482,419	1,460,194
Long-term debt <i>[note 7]</i>	37,188,113	41,174,458
Long-term commitment <i>[note 20]</i>	2,086,386	2,389,808
	<b>\$ 59,530,888</b>	<b>\$ 70,840,398</b>
<b>Net surplus</b>	<b>\$ 13,925,275</b>	<b>\$ 5,084,465</b>
<b>Non-financial assets</b>		
Tangible capital assets <i>[note 22]</i>	\$ 598,898,890	\$ 594,432,014
Supplies inventory	2,916,329	2,703,743
	<b>\$ 601,815,219</b>	<b>\$ 597,135,757</b>
<b>Accumulated surplus</b>	<b>\$ 615,740,494</b>	<b>\$ 602,220,222</b>

Contingencies *[note 13]*  
See accompanying notes

Approved by:

  
\_\_\_\_\_  
Michael O'Brien, Mayor

  
\_\_\_\_\_  
Alicia Keating, Acting City Treasurer

# CITY OF FREDERICTON

## Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2020

	2020 Budget	2020 Actual	2019 Actual
<b>Revenue</b>			
Property taxes	\$ 108,183,452	\$ 108,183,452	\$ 103,971,201
Community funding and equalization grant	1,890,636	1,890,636	1,832,790
Federal grant in lieu of taxes adjustment	1,742	1,742	-
Services to other governments	3,443,248	3,419,153	3,402,453
Sales, fines and other fees	29,639,286	27,067,387	29,154,773
Interest and return on investments	229,500	914,179	1,371,644
Third party contributions	-	10,310,761	11,617,332
	<b>\$ 143,387,864</b>	<b>\$ 151,787,310</b>	<b>\$ 151,350,193</b>
<b>Expenses</b>			
General Government Services - Corporate	\$ 1,474,743	\$ 2,059,163	\$ 538,327
Sustainable Infrastructure	2,513,172	1,862,451	2,147,670
Economic Vitality	9,074,186	8,012,429	7,682,150
Environmental Stewardship	4,762,425	4,826,583	4,695,269
Governance and Civic Engagement	4,749,414	4,687,703	4,734,930
Livable Community	23,080,731	22,720,450	25,487,747
Mobility [including Transit]	29,076,760	30,476,828	30,004,943
Public Safety	45,463,542	46,333,366	45,553,092
Water and Wastewater	16,908,012	17,288,065	16,643,482
	<b>\$ 137,102,985</b>	<b>\$ 138,267,038</b>	<b>\$ 137,487,610</b>
Annual surplus	\$ 6,284,879	\$ 13,520,272	\$ 13,862,583
Accumulated surplus, beginning of year	588,357,639	602,220,222	588,357,639
<b>Accumulated surplus, end of year</b>	<b>\$ 594,642,518</b>	<b>\$ 615,740,494</b>	<b>\$ 602,220,222</b>

See accompanying notes

# CITY OF FREDERICTON

## Consolidated Statement of Changes in Net Surplus (Debt)

For the year ended December 31, 2020

	2020 Budget	2020 Actual	2019 Actual
<b>Annual surplus</b>	\$ 6,284,879	\$ 13,520,272	\$ 13,862,583
Acquisition of tangible capital assets	(30,740,097)	(31,488,932)	(32,746,499)
Disposal of tangible capital assets	4,222,261	2,420,176	1,416,931
Amortization of tangible capital assets	22,968,188	24,601,879	24,250,281
Increase in supplies inventory	-	(212,585)	(41,004)
	\$ (3,549,648)	\$ (4,679,462)	\$ (7,120,291)
Increase in net surplus	2,735,231	8,840,810	6,742,292
Net surplus (debt), beginning of year	5,084,465	5,084,465	(1,657,827)
<b>Net surplus, end of year</b>	\$ 7,819,696	\$ 13,925,275	\$ 5,084,465

See accompanying notes



# CITY OF FREDERICTON

## Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
<b>Operating transactions</b>		
Annual surplus	\$ 13,520,272	\$ 13,862,583
Items not affecting cash		
Amortization of tangible capital assets	24,601,879	24,250,281
Loss on sale of tangible capital assets	2,055,854	445,042
Uses		
Change in accrued pension asset	547,700	52,300
Change in long-term commitment	(303,422)	(304,689)
Change in deferred government transfers	7,801	5,152,877
Change in deferred revenue	392,700	560,661
Change in supplies inventory	(212,586)	(41,004)
Change in working capital	(4,744,743)	3,364,129
Change in assets held for sale	-	(806,374)
<b>Cash provided by operating transactions</b>	<b>\$ 35,865,455</b>	<b>\$ 46,535,806</b>
<b>Capital transactions</b>		
Proceeds on sale of tangible capital assets	364,323	971,889
Acquisition of tangible capital assets	(31,488,932)	(32,746,499)
<b>Cash used in capital transactions</b>	<b>\$ (31,124,609)</b>	<b>\$ (31,774,610)</b>
<b>Financing transactions</b>		
Long-term debt repayment	(3,765,976)	(3,633,288)
Capital leases	-	710,957
Capital lease principal repayments	(220,369)	(353,963)
<b>Cash used in financing transactions</b>	<b>\$ (3,986,345)</b>	<b>\$ (3,276,294)</b>
Change in cash and cash equivalents and investments	754,501	11,484,902
Cash and cash equivalents and investments, beginning of year	57,424,755	45,939,853
<b>Cash and cash equivalents and investments, end of year</b>	<b>\$ 58,179,256</b>	<b>\$ 57,424,755</b>

See accompanying notes

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 1. Significant accounting policies:

(i) Reporting entity:

The consolidated financial statements of the City of Fredericton [the "City"] reflect the assets, liabilities, revenue, expenditures, and changes in net debt and accumulated surplus in the reporting entity. The reporting entity comprises the organizations accountable for the administration of their affairs and resources to City Council and owned or controlled by the City. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included in the consolidated financial statements are as follows:

Owned/controlled corporations

e-Novations ComNet Inc.  
Fredericton Convention Centre Inc.  
Newmarket Properties Inc.

(ii) Basis of accounting:

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ["PSAB"] of the Chartered Professional Accountants of Canada.

(iii) Revenue recognition:

Revenue is recognized on the accrual basis and is measurable as it is earned. Revenue received prior to being earned is recorded as deferred revenue until such time as the revenue is earned.

(iv) Expense recognition:

Expenses are recorded on the accrual basis as they are incurred and are measurable based on receipt of goods or services and obligation to pay.

(v) Supplies inventory:

Inventory is valued at the lower of cost and net replacement cost, with cost being determined on the first-in, first-out basis.

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 1. Significant accounting policies (continued)

### (vi) Tangible capital assets

Tangible capital assets ["TCAs"] are physical assets that are used to provide city services, city administration, construction and/or maintenance of other TCAs owned by the City, will be used on a regular basis for a period greater than one year, and are not surplus properties held for resale or disposal. Studies and master plans are not considered TCAs.

TCAs are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on a straight-line basis over their estimated useful lives. Amortization begins in the year after the asset has been put into use. Assets under construction are not amortized until they are put into use. Descriptions and useful lives are as follows:

	Useful Lives
<b>Land:</b> all land owned by the City, including land under buildings.	N/A
<b>Land improvements:</b> includes major landscaping projects, sports fields/courts, trail culverts, paved trails, parking lots, playgrounds and similar assets.	15 - 80 years
<b>Buildings:</b> all City-owned buildings, with the exception of treatment plants, as single assets or broken into components: structural, interior, exterior, mechanical, electrical, specialty items and equipment, and site works.	20 - 60 years
<b>Machinery and equipment:</b> includes information technology assets, large signage, transit fare boxes, motorized fleet equipment, parking meters, leasehold improvements and similar assets.	3 - 40 years
<b>Vehicles:</b> all City vehicles, including cars, trucks, buses, and similar assets.	6 - 20 years
<b>Linear assets:</b> all Public Works infrastructure including roads, sidewalks, street lights, traffic signals, storm sewers, water and sewer mains.	15 - 80 years
<b>Water and wastewater treatment facilities:</b> includes water and wastewater treatment plants broken into components: process piping/equipment, electrical and instrumentation, structural, architectural, mechanical, and site works.	10 - 60 years

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 1. Significant accounting policies (continued)

### (vi) Tangible capital assets (continued)

The City has a capitalization threshold in the amount of \$25,000. Any item purchased under this threshold is recorded as an expense in the year during which the item is acquired. An exception is pooled assets, which include computers, street lights, parking meters and groups of assets of a similar nature.

All grants, donations from subdivision developers and other third party contributions are recorded as income in the year during which the expenditure for the capital asset is incurred. The full cost of the asset is capitalized in the year during which the asset is substantially complete and put into use.

### (vii) Employee future benefits

The City accrues its obligations under employee future benefit plans and the related costs, net of plan assets. The City has adopted the following policies:

a) The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Current service costs are expensed during the year.

The excess of net actuarial gains (losses) is amortized over the average remaining service period of active employees, which is estimated to be 16 years.

b) The City has a Supplemental Executive Retirement Plan ["SERP"] for eligible employees [see note 10].

c) City employees are entitled to a retirement allowance under collective agreements or in accordance with City policy. The liability is actuarially determined [see note 11].

### (viii) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions based on information available at the date of the consolidated financial statements. Actual results may differ from those estimates.

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## 2. Cash and cash equivalents

Cash and cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable upon demand. Included in this amount are funds internally restricted by City Council for predetermined projects in the amount of \$37,071,490 [2019 - \$32,531,408].

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# CITY OF FREDERICTON

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

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### 3. Bank loan payable

There are no bank loans payable or other short-term borrowings as at December 31, 2020 [2019 - nil] .

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### 4. Deposits

Deposits consist of monies being held by the City that will either be refunded, provided certain requirements are met, or earned upon final sale of assets.

	<b>2020</b>	2019
Foundation locations	\$ <b>87,000</b>	\$ 87,000
Tenders	<b>63,175</b>	57,914
Infrastructure fees	<b>306,796</b>	306,796
Performance bonds	<b>205,806</b>	207,806
Subdivision development	-	25,000
Animal control and other	<b>240</b>	240
Development fees	<b>673,511</b>	673,391
Water and sewer Installations	<b>145,891</b>	102,047
	<b>\$ 1,482,419</b>	\$ 1,460,194

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### 5. Funds held in trust

Trust fund assets administered by the City for the benefit of external parties in the amount of \$693,605 [2019 - \$760,064] are not included in the consolidated financial statements.

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### 6. Deferred government transfers

Funding received as part of the Gas Tax Funding program is recorded as revenue in the year during which related expenditures are incurred. Monies that have not been spent are recorded as deferred government transfers on the consolidated statement of financial position. This amount consists of the following:

	<b>2020</b>	2019
Gas Tax Funding	<b>\$ 5,160,678</b>	\$ 5,152,877

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These amounts are restricted to fund pre-approved projects that relate to the program objectives and cannot be used for other projects.

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# CITY OF FREDERICTON

## Notes to Consolidated Financial Statements

Year ended December 31, 2020

### 7. Long-term debt

	2020	2019
General Fund		
Debtures, 20-year amortization period:		
Maturing in 2020 bearing interest at 1.50% to 3.85%	\$ -	\$ 6,742,000
Maturing in 2023 bearing interest at 2.10% to 5.55%	4,903,000	5,407,000
Maturing in 2026 bearing interest at 1.45% to 2.90%	5,120,196	5,937,254
Maturing in 2026 bearing interest at 1.45% to 2.90%	961,836	1,115,321
Maturing in 2028 bearing interest at 2.10% to 3.45%	1,827,476	2,037,909
Maturing in 2029 bearing interest at 1.95% to 2.45%	11,452,000	12,600,000
Maturing in 2030 bearing interest at 0.50% to 1.80%	6,197,000	-
Maturing in 2033 bearing interest at 1.35% to 4.00%	6,402,000	6,790,000
	<b>36,863,508</b>	40,629,484
Capital lease obligations with implicit interest rates of 2.85% and 4.54%	<b>324,605</b>	544,974
Total debt	<b>\$ 37,188,113</b>	\$ 41,174,458

The General Fund debtures are amortized over 20 years with fixed rates of interest over the initial 10-year term.

The City has obtained approval of the Municipal Capital Borrowing Board for the long-term debt, and expects to renew each of the debtures for an additional term of 10 years as they mature.

Principal due within the next five years and thereafter on certificates of indebtedness is approximately as follows:

2021	3,877,783
2022	3,951,473
2023	4,049,910
2024	4,136,890
2025 and thereafter	20,847,452
	<b>\$ 36,863,508</b>

Interest in the amount of \$1,263,956 [2019 - \$1,510,703] relating to the debtures is included in interest expense.

Capital lease obligations due within the next three years are as follows:

2021	130,789
2022	109,733
2023	84,083
Total minimum lease payments	<b>\$ 324,605</b>

Interest in the amount of \$23,467 [2019 - \$5,428] relating to the capital lease obligations is included in interest

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 8. Capital borrowing

Requested and approved capital borrowing

The City obtained approval under Order in Council ["OIC"] and Ministerial order to borrow an amount of \$72,850,000, of which \$8,950,000 was financed in 2013, \$1,100,000 in 2012, \$11,000,000 in 2010, \$21,800,000 in 2009, \$13,500,000 in 2008, and \$16,500,000 in 2006 by the New Brunswick Municipal Finance Corporation. Of this amount, \$9,934,000 and \$2,251,000 were refinanced with internal inter-fund debentures in 2016 and 2018, respectively.

		<u>Approved</u>	<u>Borrowed</u>
Recreation and Cultural	OIC 06-02	\$ 14,350,000	\$ 14,350,000
Recreation and Cultural	OIC 06-23	5,900,000	5,900,000
Recreation and Cultural	OIC 06-43	9,360,000	9,360,000
Protective Services	OIC 06-43	5,400,000	5,400,000
Protective Services	OIC 07-17	1,400,000	1,400,000
General Government	OIC 07-55	3,040,000	3,040,000
General Government	OIC 07-66	1,000,000	1,000,000
General Government	OIC 09-08	30,800,000	30,800,000
Protective Services	OIC 10-72	500,000	500,000
Environmental Health	OIC 11-06	1,100,000	1,100,000
		<hr/>	<hr/>
Total authorizations to December 31, 2020		\$ 72,850,000	\$ 72,850,000

Of the total amount borrowed, \$36,863,508 [2019 - \$40,629,484] remains to be repaid [see note 7].

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## 9. Capital commitments

There are no significant capital commitments outstanding as at December 31, 2020 [2019 - nil].

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# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 10. Pension asset/liability

### a - Superannuation Pension Plan

The City provides pension benefits to certain employees of the City, in accordance with the *New Brunswick Pension Benefits Act* and City By-Law A-5. The Plan is administered by City Council as the Board of Administrators. The Plan is a contributory defined benefit pension plan covering the active members of IAFF 1053 and UBCJ 911 and IAFF 1053 and UBCJ 911 retirees on or after March 31, 2013. Under the Plan, contributions are made by the Plan members and the City.

An actuarial valuation of the Plan was completed for April 1, 2019 and extrapolated to December 31, 2020.

	2020	2019
<b>Plan assets, at market-related value, January 1</b>	\$ 91,319,100	\$ 76,883,100
Contributions - City	2,208,600	2,166,000
Contributions - employee required	1,886,000	1,791,200
Benefit payments	(3,199,200)	(1,777,200)
Administrative expenses paid from plan assets	(250,000)	(250,000)
Expected earnings on market-related value	5,170,700	4,741,100
Actuarial (loss) gain	5,108,500	7,764,900
<b>Plan assets, at market-related value, December 31</b>	<b>\$ 102,243,700</b>	<b>\$ 91,319,100</b>
<b>Accrued benefit obligation, January 1</b>	<b>\$ 91,661,800</b>	<b>\$ 78,274,600</b>
Current service cost	3,276,000	3,068,900
Benefit payments	(3,199,200)	(1,777,200)
Interest on accrued benefit obligation	5,178,500	4,818,800
Net actuarial loss (gain)	4,179,000	7,276,700
<b>Accrued benefit obligation, December 31</b>	<b>\$ 101,096,100</b>	<b>\$ 91,661,800</b>
<b>Unamortized actuarial losses, January 1</b>	<b>\$ (6,484,200)</b>	<b>\$ (7,602,800)</b>
Current-year (losses) gains on accrued obligation	(4,179,000)	(7,276,700)
Actuarial (losses) gains on pension fund assets	5,108,500	7,764,900
Amortization of prior-year losses/actuarial gains	1,126,300	630,400
<b>Unamortized actuarial losses, December 31</b>	<b>\$ (4,428,400)</b>	<b>\$ (6,484,200)</b>
<b>Net pension fund asset comprising</b>		
Accrued benefit obligation	\$ 101,096,100	\$ 91,661,800
Less plan assets	(102,243,700)	(91,319,100)
Less unamortized losses	(4,428,400)	(6,484,200)
<b>Net pension fund asset</b>	<b>\$ (5,576,000)</b>	<b>\$ (6,141,500)</b>
<b>City portion of plan expenses</b>		
	\$ 3,526,000	\$ 3,318,900
Less employee contributions	(1,886,000)	(1,791,200)
Add amortization of actuarial losses	1,126,300	630,400
	2,766,300	2,158,100
Interest during the year on average pension liability	7,800	77,700
<b>Pension-related expenses</b>	<b>\$ 2,774,100</b>	<b>\$ 2,235,800</b>



# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 10. Pension asset/liability (continued)

### b - Supplemental Executive Retirement Plan

	<u>2020</u>	<u>2019</u>
Accrued actuarial obligation	\$ 377,900	\$ 395,700

### c - Net Pension Asset/Liability

	<u>2020</u>	<u>2019</u>
Superannuation Pension Plan	\$ (5,576,000)	\$ (6,141,500)
Supplemental Executive Retirement Plan	377,900	395,700
	<u>\$ (5,198,100)</u>	<u>\$ (5,745,800)</u>

Significant management assumptions used in the actuarial valuation for the Superannuation Pension Plan are:

Discount rate:	5.30% for 2020 year-end disclosures [5.65% for fiscal 2020 expense and 2019 year-end disclosures]
Inflation rate:	2.00% [2019 - 2.00%] per annum
Salary growth rate:	2.75% [2019 - 2.75%] per annum, plus promotional and merit scale
Retirement age:	60% [2019 - 60%] at the age first eligible for an unreduced pension, remainder at age 65 [2019 - 65]

Significant management assumptions used in the actuarial valuation for the Supplemental Executive Retirement Plan are:

Discount rate:	1.85% [2019 - 1.85%] per annum
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The Superannuation Pension Plan for certain employees of the City is exempted from funding on a solvency basis. The exemption was approved by the New Brunswick Superintendent of Pensions and recorded effective May 5, 2014.

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# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 11. Retirement allowance liability

The City provides a retirement allowance to employees of the City who have continuous service of five years or more and retire due to disability, death or age, or are laid off by the City. The City shall pay such employees or their beneficiaries an allowance equal to one month's pay for each five years of service or fraction thereof, but not exceeding six months, at the employee's regular rate of salary plus their benefit spending allowance at retirement.

Based on an actuarial valuation of the liability, the results as at December 31, 2020 are as follows:

	2020	2019
<b>Accrued benefit liability as at January 1</b>	<b>\$ 10,157,300</b>	\$ 9,690,000
Current service cost	<b>824,100</b>	802,100
Interest on obligation	<b>235,300</b>	229,400
Benefit payments	<b>(617,000)</b>	(831,100)
Amortization of losses	<b>266,900</b>	266,900
<b>Accrued benefit liability as at December 31</b>	<b>\$ 10,866,600</b>	\$ 10,157,300
<b>Restricted cash and investments for retirement allowance</b>	<b>\$ 10,866,600</b>	\$ 10,157,300
<b>Net accrued benefit obligation</b>	<b>\$ -</b>	\$ -
<b>City portion of benefit expenses</b>		
Current-period benefit cost	<b>\$ 824,100</b>	\$ 802,100
Interest cost	<b>235,300</b>	229,400
Amortization of losses	<b>266,900</b>	266,900
<b>Retirement allowance expense</b>	<b>\$ 1,326,300</b>	\$ 1,298,400

Significant economic and demographic assumptions used in the actuarial valuation are:

Discount rate:	1.85% [2019 - 1.85%] per annum
Salary growth rate:	2.75% [2019 - 2.75%] per annum, plus promotional and merit scale
Retirement age:	60% at the age first eligible for an unreduced pension, remainder at age 65

## 12. Expenses by object

	2020	2019
Salaries and benefits	<b>\$ 72,872,114</b>	\$ 71,811,115
Goods and services	<b>37,449,768</b>	39,362,704
Amortization	<b>24,601,879</b>	24,250,281
Interest	<b>1,287,423</b>	1,618,469
Other	<b>2,055,854</b>	445,041
	<b>\$ 138,267,038</b>	\$ 137,487,610

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 13. Contingencies

(i) The City provided a letter of guarantee in 2013 in support of a loan by Capital Region Community Tennis Centre Inc. up to an amount of \$670,000 with National Bank for a term not to extend beyond 2016. City Council guaranteed an extension of 24 months at the November 13, 2018 Council Meeting. Further, City Council guaranteed an extension of 24 months at the December 3, 2020 Council Meeting. The outstanding loan balance at November 26, 2020 amounts to \$65,521.

(ii) The City is subject to claims and lawsuits arising in the normal course of operations. Many of these claims, especially related to property expropriation, may take several years to resolve. Management is of the opinion that the ultimate resolution of any legal proceedings will not have a significant effect on the City's consolidated financial position.

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## 14. Recreational service agreements

The City entered into Recreational Service Agreements ["Agreements"] with a number of surrounding Local Service Districts ["LSDs"] and the Village of New Maryland ["Village"]. The Agreements are in effect from January 1, 2008 to December 31, 2027 with an option to extend beyond this period.

Under the Agreements, the City is required to provide access to constituents of the areas to the City's recreational facilities as if they were residents of the City. In addition, the City is required to provide an audited consolidated schedule of net operating loss of the City's arena complexes [note 24]. A capital replacement fund is in place to plan for future capital expenditures relating to the arenas.

In return, the LSDs and the Village have agreed to have a portion of their property taxes paid to the City in order to help fund a proportional amount of the capital and operating expenses of the facilities. The contributions are collected by the Province of New Brunswick, then distributed to the City by the Minister of Local Government. Contributions under this agreement for the current year amounted to \$566,955 [2019 - \$540,018].

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## 15. Other

The City, through Newmarket Properties Inc., leases land and a building from the Province of New Brunswick for a nominal fee of \$1 per year under a five-year renewable lease agreement that terminated on April 30, 2024. Under the terms of the lease, the Province of New Brunswick is responsible for the provincial portion of the real property tax levy. The effect of this lease arrangement is not recorded in these consolidated financial statements.

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# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 16. Segmented information

The City is a diversified municipal government that provides a wide range of services to citizens. For management reporting purposes, these operations are broken into segments [note 21]. The segments are as follows:

### **General Government Services - Corporate**

General Government Services are responsible for the internal services provided by and for the other City departments. They consist of Corporate Services - including Communications, Human Resources, Purchasing, Fleet, Information Technology, Building Services, Telecommunications, Real Estate, and Finance. Internal services' costs are re-allocated to the public services areas below.

### **Governance and Civic Engagement**

Governance & Civic Engagement services provide legislation, community relations, and community and corporate leadership. This segment includes the Mayor and Council, and the City Administrator - including Strategic Initiatives, the City Solicitor, and City Clerk.

### **Sustainable Infrastructure**

Sustainable Infrastructure services consist of planning for long-term infrastructure needs, creating long-term capital plans, and managing debt and affordability.

### **Public Safety**

Public safety services include Police, Fire, By-Law and Building Inspection services within the City and aiding surrounding areas as required.

### **Mobility**

Mobility services consist of common services, road and linear maintenance, street lighting, traffic services, Parking Services and Public Transit.

### **Environmental Stewardship**

Environmental stewardship consists of garbage and waste collection and disposal, and composting.

### **Economic Vitality**

Economic Vitality consists of economic development, and tourism and culture. It includes the Fredericton Convention Centre Inc., e-Novations ComNet Inc., and Newmarket Properties Inc.

### **Livable Community**

Livable Community services include recreation and cultural services consisting of administration, programs, community liaison, indoor and outdoor pools, arenas, community facilities, the Fredericton Public Library and the Fredericton Playhouse. Livable Community also includes Parks and Trees, outdoor sport, and Community Planning, building permits and inspection, development approval, heritage planning and conservation, and long-range land use planning.

### **Water and Wastewater Services (Utility Operations)**

Water and Wastewater Services consist of supply, purification and treatment, transportation, storage, distribution of water, and collection and treatment of wastewater.

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# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 17. Province of New Brunswick Compliance Requirements

The City is in compliance with the following requirements under the *Municipalities Act* of the Province of New Brunswick:

(i) Inter-fund accounts

All inter-fund accounts as at December 31, 2020 represent current transactions except as noted below and are in compliance with the policy established by the Department of Environment and Local Government.

(ii) Restrictions on municipal borrowings

Section 89 of the *Municipalities Act* of the Province of New Brunswick restricts a municipality's borrowings for operating purposes to less than four percent of the operating budget of the municipality, as defined by the Province of New Brunswick, and to less than two percent of the assessed value of real property in the municipality for capital purposes. Borrowings by the City are within these legislative restrictions.

(iii) Water cost transfer

The City's water cost transfer is within the maximum allowable by regulation 81-195 under the *Municipalities Act* based on the applicable percentage of water system expenditures for the population.

(iv) Second previous year's surplus

The *Municipalities Act* requires that the General Operating Fund surplus (deficit) be absorbed into the operating budget of the second subsequent year and that the Water and Sewerage Operating Fund surplus (deficit) be absorbed into one or more of the three operating budgets commencing with the second following year [see note 24].

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## 18. Public Safety

Included in Public Safety expenses are amounts related to a contribution agreement between the Government of Canada, the Province of New Brunswick, the City of Fredericton and the Saint Mary's First Nation for Native policing services. Amounts included relating to expenses and recoveries are as follows:

	<b>2020</b>	2019
Native policing expenses	\$ 722,806	\$ 752,307
Federal contribution	(303,288)	(295,171)
Provincial contribution	(279,958)	(272,466)
City contribution	<u>\$ 139,560</u>	<u>\$ 184,670</u>

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# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 19. Shared risk pension

The City is a participating contributing employer to the City of Fredericton Shared Risk Plan ["SRP Plan"] which is a Shared Risk Plan in accordance with the *Pension Benefits Act* (New Brunswick). The SRP Plan is administered by an independent Board of Trustees and covers employees of the City who are not active members of IAFF 1053 or UBCJ 911. Under the SRP Plan, contributions are made by the SRP Plan members and the City. The SRP Plan was created effective March 31, 2013 as a result of a Memorandum of Understanding between the City and CUPE locals 508, 1709, 1783 and 3864.

Plan members contribute at a rate of 9% of pensionable earnings, with the exception that designated Police and Fire Management employees contribute at a rate of 12% of pensionable earnings. The City matches these contributions to form the Plan's Initial Contributions. In addition, the City is making initial Temporary Contributions in the amount of 5% of pensionable earnings for at least 10 years and at most 15 years beginning March 31, 2013. As per the Plan's Funding Policy, contributions may increase or decrease by 2.25% of payroll for both the City and the employees should certain funding levels be reached.

For service up to and including March 31, 2013, benefits accrue at a rate of 1.3% on the first \$5,000 of earnings and 2.0% on the remainder of pensionable earnings, to a maximum benefit of \$2,000 per year of pensionable service. For this period of pre-conversion service, benefits are available on an unreduced basis for members who retire on or after age 55 and whose age plus service total at least 80 years [or 75 years for designated Police and Fire Management employees]. For service after March 31, 2013, benefits accrued at a rate of 1.8% of pensionable earnings. For this period of post-conversion service, benefits are available on an unreduced basis for members who retire on or after age 65 [or 60 for designated Police and Fire Management employees].

The last actuarial valuation of the Plan was conducted as at March 31, 2020. At that date, the open group funded ratio of the Plan was 105.9% [2019 - 115.1%].

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## 20. Pension plan asset split

A split, and transfer of assets from the Superannuation Pension Plan for Employees of the City of Fredericton [the "old plan"] to the Superannuation Pension Plan for Certain Employees of the City of Fredericton [the "new plan"] and the SRP Plan, had been approved by the Superintendent of Pensions' office on November 18, 2014.

Mercer (Canada) Limited performed an actuarial valuation of the old plan with the purpose of determining the transfer of assets and liabilities as of March 31, 2013. The transfer of assets was based on a division of assets from the old plan to the new plan and SRP Plan on a going concern basis. The prior year's consolidated financial statements were prepared based on the actuarial valuation prepared by Mercer (Canada) Limited, and approved by the Superintendent of Pensions.

However, the decision of the Superintendent of Pensions had been appealed to the Financial and Consumer Services Tribunal. The Tribunal issued its decision on March 9, 2016, overturning the original division of assets on a going concern basis in favour of a solvency apportionment of assets.

During the year in 2016, Mercer (Canada) Limited performed new actuarial valuations of the plan asset split using the solvency basis. As a result of the revised actuarial valuation and remeasurement of the pension asset split value, an additional \$6,314,000 in pension assets have been transferred from the SRP Plan to the new plan. Prior to the increase in asset value, the new plan had a net pension fund liability of \$1,259,400, which was funded with internally unrestricted cash that was previously expensed. Because the transfer of additional assets results in a net pension fund asset, the internally unrestricted cash of \$1,259,400 was recognized as revenue in 2016. This resulted in gross revenue related to the revised pension asset split allocation for the new plan of \$7,573,400.

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 20. Pension plan asset split (continued)

As a result of various appeals from the police and fire unions, there was a hearing by the Financial and Consumer Services Tribunal ("Tribunal"), which resulted in an August 2020 decision. The main points of the decision are as follows: a) the Plan actuaries were removed; b) the Plan administrator was required to retain a new actuary; c) the 2016 actuarial report was rejected; d) the new actuary must conduct analysis to determine appropriate funding levels since Plan inception in 2013 and determine if a Canada Revenue Agency exemption is required; and e) actuarial valuation reports for 2013 to present must be redone by the new actuary and submitted to the Superintendent of Pensions.

The Tribunal decision has been appealed and parties are awaiting the decision to determine next steps. Eckler Limited has been appointed as Plan Actuary effective March 2021.

As a result of the split changes to the SRP Plan assets, the City made a new long-term commitment to increase the Temporary Contributions to the SRP Plan from the initial rate of 4.25% of payroll to 5.0% of payroll. The commitment for additional Temporary Contributions is for the same period as the initial Temporary Contributions.

The present value of the long-term commitment for additional Temporary Contributions is estimated to be \$2,086,386.

Additional Temporary Contributions due within the next five years and thereafter on the long-term commitment are approximately as follows:

2021	302,131
2022	300,815
2023	299,474
2024	298,108
2025 and thereafter	885,858
	<hr/>
	\$ 2,086,386

The long-term commitment for the additional SRP contributions resulted in a decrease in revenue related to the pension plan asset split in 2016. This resulted in total net revenue from pension plan split of \$4,265,822.

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 21. Consolidated Schedule of Segment Disclosure

	Governancet and Civic Engagement	General Government Services - Corporate	Sustainable Infrastructure	Public Safety	Mobility	Environmental Stewardship	Economic Vitality	Livable Community	Water and Wastewater	2020 Consolidated	2019 Consolidated
<b>Revenue</b>											
Property tax/Community Funding and Equalization Grant	\$ 4,721,821	\$ -	\$ 2,507,448	\$ 40,999,739	\$ 29,897,513	\$ 4,971,602	\$ 6,258,996	\$ 20,718,711	\$ -	\$ 110,075,830	\$ 105,803,991
Services to other governments	-	1,108,469	-	1,887,243	423,441	-	-	-	-	3,419,153	3,402,453
Sales and other fees	-	267,561	-	1,627,262	1,589,798	-	1,704,648	2,287,165	19,590,953	27,067,387	29,154,773
Interest and return on investments	-	778,853	-	-	-	-	-	-	135,326	914,179	1,371,644
Government transfers	-	38,792	66,824	-	2,485,831	82,544	-	330,625	5,213,781	8,218,397	8,640,695
Other	-	129,515	-	-	1,417,685	164,437	-	35,086	345,641	2,092,364	2,976,637
	\$ 4,721,821	\$ 2,323,190	\$ 2,574,272	\$ 44,514,244	\$ 35,814,268	\$ 5,218,583	\$ 7,963,644	\$ 23,371,587	\$ 25,285,701	\$ 151,787,310	\$ 151,350,193
<b>Expenses</b>											
Salaries and benefits	\$ 2,384,400	\$ 11,551,122	\$ 879,234	\$ 32,599,328	\$ 9,865,878	\$ 543,053	\$ 1,723,164	\$ 7,757,689	\$ 5,568,246	\$ 72,872,114	\$ 71,811,115
Goods and services	864,578	15,772,168	301,475	1,096,848	4,134,101	3,518,783	2,739,240	3,762,853	5,259,722	37,449,768	39,362,704
Amortization	87,803	-	91,449	1,981,630	9,947,347	509,515	1,709,668	3,942,157	6,332,310	24,601,879	24,250,281
Interest	-	-	-	211,280	2,752	-	535,819	537,572	-	1,287,423	1,618,469
Other (gain) loss on assets	-	1,116,748	-	22,882	800,147	-	(5,427)	(6,283)	127,787	2,055,854	445,041
Subtotal expenses	\$ 3,336,781	\$ 28,440,038	\$ 1,272,158	\$ 35,911,968	\$ 24,750,225	\$ 4,571,351	\$ 6,702,464	\$ 15,993,988	\$ 17,288,065	\$ 138,267,038	\$ 137,487,610
Allocation of Corporate overhead	1,350,922	(26,380,875)	590,293	10,421,398	5,726,603	255,232	1,309,965	6,726,462	-	-	-
<b>Total expenses</b>	<b>4,687,703</b>	<b>2,059,163</b>	<b>1,862,451</b>	<b>46,333,366</b>	<b>30,476,828</b>	<b>4,826,583</b>	<b>8,012,429</b>	<b>22,720,450</b>	<b>17,288,065</b>	<b>\$ 138,267,038</b>	<b>\$ 137,487,610</b>
<b>Annual surplus</b>	<b>\$ 34,118</b>	<b>\$ 264,027</b>	<b>\$ 711,821</b>	<b>\$ (1,819,122)</b>	<b>\$ 5,337,440</b>	<b>\$ 392,000</b>	<b>\$ (48,785)</b>	<b>\$ 651,137</b>	<b>\$ 7,997,636</b>	<b>\$ 13,520,272</b>	<b>\$ 13,862,583</b>



# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 22. Schedule of Tangible Capital Assets

	Land	Land improvements	Buildings	Vehicles	Machinery and equipment	Treatment facilities	Linear assets	Assets under construction	2020 Total	2019 Total
<b>COST</b>										
Balance, beginning of year	\$ 16,025,657	\$ 22,397,004	\$ 154,841,130	\$ 32,717,586	\$ 32,496,127	\$ 72,525,985	\$ 579,384,009	\$ 8,028,817	\$ 918,416,315	\$ 892,311,277
Net additions during the year	258,801	2,727,152	1,550,377	2,582,763	1,372,846	5,911,653	19,726,500	(2,641,160)	31,488,932	\$ 32,746,499
Disposals during the year	(1,069,300)	(9,357)	(266,773)	(1,246,990)	(2,853,940)	(1,920,635)	(4,822,017)	-	(12,189,012)	\$ (6,641,461)
<b>BALANCE, END OF YEAR</b>	<b>\$ 15,215,158</b>	<b>\$ 25,114,799</b>	<b>\$ 156,124,734</b>	<b>\$ 34,053,359</b>	<b>\$ 31,015,033</b>	<b>\$ 76,517,003</b>	<b>\$ 594,288,492</b>	<b>\$ 5,387,657</b>	<b>\$ 937,716,235</b>	<b>\$ 918,416,315</b>
<b>ACCUMULATED AMORTIZATION</b>										
Balance, beginning of year	\$ -	\$ 8,270,648	\$ 55,817,100	\$ 15,189,640	\$ 14,154,350	\$ 33,732,071	\$ 196,820,493	\$ -	\$ 323,984,302	\$ 304,958,551
Amortization during the year	-	982,970	4,911,454	2,172,975	2,673,546	1,947,737	11,913,197	-	24,601,879	\$ 24,250,281
Accumulated amortization on disposals	-	(9,357)	(202,104)	(1,098,398)	(2,803,953)	(1,920,635)	(3,734,389)	-	(9,768,836)	\$ (5,224,530)
<b>BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 9,244,261</b>	<b>\$ 60,526,450</b>	<b>\$ 16,264,217</b>	<b>\$ 14,023,943</b>	<b>\$ 33,759,173</b>	<b>\$ 204,999,301</b>	<b>\$ -</b>	<b>\$ 338,817,345</b>	<b>\$ 323,984,302</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>										
	\$ 15,215,158	\$ 15,870,538	\$ 95,598,284	\$ 17,789,142	\$ 16,991,090	\$ 42,757,830	\$ 389,289,191	\$ 5,387,657	\$ 598,898,890	\$ 594,432,013
<b>Consists of:</b>										
General Fund Assets	\$ 13,841,448	\$ 15,870,538	\$ 95,598,284	\$ 16,102,984	\$ 15,515,279	\$ -	\$ 217,174,568	\$ 4,031,116	\$ 378,134,217	\$ 376,772,572
Water and Sewer Fund Assets	1,373,710	-	-	1,686,158	1,475,811	42,757,830	172,114,623	1,356,541	220,764,673	\$ 217,659,441
	\$ 15,215,158	\$ 15,870,538	\$ 95,598,284	\$ 17,789,142	\$ 16,991,090	\$ 42,757,830	\$ 389,289,191	\$ 5,387,657	\$ 598,898,890	\$ 594,432,013

The City has tangible capital assets under capital leases as follows, included in the amounts listed above:

	Historical cost	Accumulated amortization	Net book value
Vehicles	\$ 308,346	\$ 38,543	\$ 269,803
Machinery and equipment	402,611	40,261	362,350
<b>Total assets under capital leases</b>	<b>\$ 710,957</b>	<b>\$ 78,804</b>	<b>\$ 632,153</b>

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 23. Consolidated Schedule of Accumulated Surplus Reconciliation to Province of New Brunswick ["PNB"] Compliance Requirements

	General Operating Fund	Water and Sewerage Operating Fund	Reserve Funds	Land Sales Fund	Parking Land Bank Fund	General Capital Fund	Water and Sewerage Capital Fund	Total
<b>2020 annual surplus</b>	\$ 277,910	\$ (144,061)	\$ 4,541,660	\$ 494,245	\$ 37,320	\$ 2,148,845	\$ 6,164,353	\$ 13,520,272
<b>Adjustments to 2020 annual surplus for PNB compliance requirements</b>								
Second previous year's surplus	\$ 1,988,495	\$ 1,862,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,850,686
Amortization expense	-	-	-	-	-	18,269,569	6,332,310	24,601,879
Accumulated amortization on asset disposal	-	-	-	-	-	(7,224,336)	(2,544,501)	(9,768,837)
PSAB adjusting entries	516,597	-	-	-	-	-	-	516,597
<b>Total adjustments to 2020 annual surplus</b>	\$ 2,505,092	\$ 1,862,191	\$ -	\$ -	\$ -	\$ 11,045,233	\$ 3,787,809	\$ 19,200,325
<b>2020 annual surplus per PNB compliance requirements</b>	\$ 2,783,002	\$ 1,718,130	\$ 4,541,660	\$ 494,245	\$ 37,320	\$ 13,194,078	\$ 9,952,162	\$ 32,720,597
Accumulated surplus per PNB compliance requirements, beginning of year	4,259,519	2,524,203	28,564,537	4,441,792	2,778,537	519,380,468	325,759,205	887,708,261
Second previous year's surplus	(1,988,495)	(1,862,191)	-	-	-	-	-	(3,850,686)
<b>Accumulated surplus per PNB compliance requirements, end of year</b>	\$ 5,054,026	\$ 2,380,142	\$ 33,106,197	\$ 4,936,037	\$ 2,815,857	\$ 532,574,546	\$ 335,711,367	\$ 916,578,172

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 24. Schedule of Net Operating Loss - Arena Complexes

	2020	2019
Revenue <i>[note 14]</i>		
Ice rental	\$ 1,003,938	\$ 1,248,928
Canteen rental	4,329	13,186
Building rental	4,774	4,171
Community room rental	3,514	8,550
Other	5,813	46,272
YMCA lease agreement	12,944	18,371
<b>Total arena complex revenue</b>	<b>1,035,312</b>	<b>1,339,478</b>
Expenses <i>[note 14]</i>		
Salaries and wages	1,718,333	1,412,497
Supplies	116,114	116,344
Repairs and maintenance	263,380	317,380
Utilities	705,733	911,306
Service contracts	154,308	135,194
Other	25,797	24,787
<b>Total arena complex expenses</b>	<b>2,983,665</b>	<b>2,917,508</b>
<b>Net operating loss</b>	<b>\$ (1,948,353)</b>	<b>\$ (1,578,030)</b>

Revenue is included in sales, fines and other fees, and expenses are included in Livable Community in the consolidated statement of operations and accumulated surplus.

## Capital Replacement Fund - Arenas *[note 14]*

	2020	2019
Opening balance, beginning of year	\$ 1,331,517	\$ 1,176,966
Contribution	125,140	125,140
Interest on balance	15,271	29,411
<b>Closing balance, end of year</b>	<b>\$ 1,471,928</b>	<b>\$ 1,331,517</b>

The Capital Replacement Fund is included with cash that is designated as reserves for spending in future years by City Council *[see note 2]*.

Total payments made during the year to the Municipal Capital Borrowing Board for the arena debt was \$2,133,063 [2019 -\$2,238,266]. The amount representing interest for the year was \$476,881 [2019 - \$618,738].

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 25. Statement of Reserves

	General Operating Reserve	General Capital Reserve	Water & Sewer Reserve	2020 Total	2019 Total
<b>Assets</b>					
Cash	\$ 6,389,604	\$ 17,569,117	\$ 8,667,918	\$ 32,626,639	\$ 18,690,097
Net receivables	(10,504)	(452,769)	(277,103)	(740,376)	8,357,810
Investments	- (a)	5,185,227	-	5,185,227	5,481,924
<b>Accumulated surplus</b>	<b>\$ 6,379,100</b>	<b>\$ 22,301,575</b>	<b>\$ 8,390,815</b>	<b>\$ 37,071,490</b>	<b>\$ 32,529,831</b>
<b>Revenue</b>					
Transfers from Operating Funds	\$ 374,278 (b)	\$ 566,792	\$ 3,409,643	\$ 4,350,713	\$ 4,985,645
Interest	59,410	200,160	34,196	293,766	547,023
	<b>433,688</b>	<b>766,952</b>	<b>3,443,839</b>	<b>4,644,479</b>	<b>5,532,668</b>
<b>Expenditures</b>	<b>-</b>	<b>-</b>	<b>102,819</b>	<b>102,819</b>	<b>1,567,374</b>
Annual surplus	\$ 433,688	\$ 766,952	\$ 3,341,020	\$ 4,541,660	\$ 3,965,294
Balance, beginning of the year	5,945,412	21,534,624	5,049,795	32,529,831	28,564,537
<b>Balance, end of the year</b>	<b>\$ 6,379,100</b>	<b>\$ 22,301,576</b>	<b>\$ 8,390,815</b>	<b>\$ 37,071,491</b>	<b>\$ 32,529,831</b>

(a) Included in the assets of the General Capital Reserve is \$2,819,474 for the Capital Replacement Reserve of the Fredericton Convention Centre.

(b) Transfers from Operating Funds to the General Capital Reserve include \$165,362 from the Fredericton Convention Centre for the Capital Replacement Reserve.

Name of Investment	Principal Amount	Interest Rate	Date of Maturity
Interfund debenture	\$ 1,827,476	2.10% - 3.45%	May 16, 2028
Interfund debenture	\$ 961,836	1.65% - 2.90%	December 1, 2026
Non-cashable GIC	\$ 1,000,000	0.81%	August 31, 2021
Non-cashable GIC	\$ 500,000	2.50%	January 19, 2021
Non-cashable GIC	\$ 525,721	2.40%	January 31, 2021
Canadian equities	\$ 370,194	N/A	N/A

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## 25. Statement of Reserves

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### Council Resolutions regarding transfer to and from reserves:

Moved by: Deputy Mayor Steven Hicks

Seconded by: Councillor Kevin Darrah

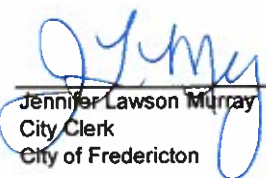
THAT City Council adopt the following resolution:

BE IT RESOLVED that the Council of the City of Fredericton authorizes the Acting City Treasurer of the City of Fredericton to transfer \$374,278 from the 2020 General Operating Fund to the General Operating Reserve Fund pursuant to Section 101 under Part 9 of the Local Governance Act; and

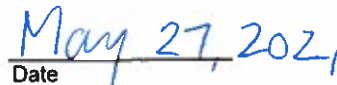
BE IT FURTHER RESOLVED that the Council of the City of Fredericton authorizes the Acting City Treasurer of the City of Fredericton to transfer \$401,430 from the 2020 General Operating Fund to the General Capital Reserve Fund pursuant to Section 101 under Part 9 of the Local Governance Act; and

BE IT FURTHER RESOLVED that the Council of the City of Fredericton authorizes the Acting City Treasurer of the City of Fredericton to transfer \$3,306,824 from the 2020 Water & Sewer Operating Fund to the Water & Sewer Capital Reserve Fund pursuant to Section 101 under Part 9 of the Local Governance Act; and

I hereby certify that the above are true and exact copies of resolutions adopted by City Council on December 14, 2020.

  
Jennifer Lawson Murray  
City Clerk  
City of Fredericton



  
Date

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 26. Statement of Controlled Entities

	Controlled entities consolidated with the General Operating Fund					
	e-Novations Inc.	ComNet Inc.	Newmarket Properties Inc.	Fredericton Convention Centre	Intercompany Eliminations	2020 Total
<b>Assets</b>	\$ 2,269,617	\$ 1,258,688	\$ 626,649	\$ (2,038,134)	\$ 2,116,820	\$ 2,243,118
<b>Liabilities</b>	(1,077,368)	(27,420)	(224,767)	218,054	(1,111,501)	(1,496,930)
<b>Accumulated Surplus (Deficit)</b>	\$ 1,192,249	\$ 1,231,268	\$ 401,882	\$ (1,820,080)	\$ 1,005,319	\$ 746,188
<b>Revenue</b>	\$ 174,067	\$ 444,418	\$ 1,669,162	\$ (1,131,199)	\$ 1,156,448	\$ 3,511,120
<b>Expenditures</b>	(173,715)	(325,680)	(1,485,426)	1,252,866	(731,955)	(2,952,092)
<b>Annual Surplus - Per PNB Compliance Requirements</b>	\$ 352	\$ 118,738	\$ 183,736	\$ 121,667	\$ 424,493	\$ 559,028

The above noted entities are included in the consolidated financial statements of the City of Fredericton.

Intercompany revenue and expenses and accounts payable and receivable are eliminated upon consolidation.

The controlled entities are consolidated with the general operating fund per the Province of New Brunswick compliance requirements.

Surplus (deficit) includes eliminating adjustments for depreciation and capital expenditures, and the second previous year's surplus per PNB requirements.

The net of revenue and expenses are included in expenses for the Economic Vitality segment.

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 27. Reconciliation of Operating Budget for Provincial Compliance Requirements to Public Sector Accounting Standards ["PSAB"]

	Operating Budget General	Operating Budget Water & Sewer	Amortization	Adjustments for Full Accrual Accounting	Total Budget to PSA Budget
<b>Revenue</b>					
Property taxes	\$ 108,183,452	\$ -	\$ -	\$ -	\$ 108,183,452
Community Funding and Equalization Grant	\$ 1,890,636	-	-	-	\$ 1,890,636
Federal grant in lieu of taxes adjustment	\$ 1,742	-	-	-	\$ 1,742
Services to other governments	\$ 3,443,248	-	-	-	\$ 3,443,248
Licenses, permits and fines	\$ 1,664,940	-	-	-	\$ 1,664,940
Sales and own source revenue	\$ 6,976,593	20,997,753	-	-	\$ 27,974,346
Interest and return on investments	\$ 229,500	-	-	-	\$ 229,500
Second previous year's surplus	\$ 1,988,495	1,862,191	-	(3,850,686) (a)	\$ -
	\$ 124,378,606	\$ 22,859,944	\$ -	\$ (3,850,686)	\$ 143,387,864
<b>Expenses</b>					
Governance & Civic Engagement	\$ 4,661,611	\$ -	\$ 87,803	\$ -	4,749,414
Sustainable Infrastructure	2,421,723	-	91,449	-	2,513,172
General Government Services - Corporate	1,474,743	-	-	-	1,474,743
Public Safety [note 20]	43,250,331	-	1,981,630	231,581 (b)	45,463,542
Mobility [including Transit]	19,126,397	-	9,947,347	3,016 (b)	29,076,760
Environmental Stewardship	4,252,910	-	509,515	-	4,762,425
Economic Vitality	6,777,214	-	1,709,668	587,304 (b)	9,074,186
Livable Community	18,549,349	-	3,942,157	589,225 (b)	23,080,731
Fiscal Services					
Principal payments on long-term debt	3,997,346	-	-	(3,997,346) (c)	-
Interest payments on long-term debt	1,411,127	-	-	(1,411,127) (b)	-
Funding current year's capital projects	18,455,855	12,284,242	-	(30,740,097) (d)	-
Water and Wastewater	-	10,575,702	6,332,310	-	16,908,012
	\$ 124,378,606	\$ 22,859,944	\$ 24,601,879	\$ (34,737,444)	\$ 137,102,985
Annual surplus (deficit)	\$ -	\$ -	\$ (24,601,879)	\$ 30,886,758	\$ 6,284,879

(a) Eliminate second previous year's surplus for PSA

(b) Allocation of interest expense

(c) Principal debt repayment

(d) Funding for current year's capital projects

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## 28. Detailed Statement of Revenue and Expenditure

### General Operating Fund - Consolidated

	2020		2019
	Budget	Actual	Actual
<b>Revenue from operations:</b>			
Province of New Brunswick			
Property taxes	\$ 108,183,452	\$ 108,183,452	\$ 103,971,201
Community funding and equalization grant	1,890,636	1,890,636	1,832,790
	110,074,088	110,074,088	105,803,991
Federal payment in lieu of taxes	1,742	1,742	-
Services provided to other governments			
Transportation services - provincial routes	409,955	423,440	409,954
Public Safety Emergency Dispatch and 911	1,130,906	1,108,469	1,091,299
Fire services - Local Service Districts	925,240	925,240	939,320
Fire services - provincial hazmat	107,000	86,743	122,379
Services to Saint Mary's First Nation:			
Fire Services - Federal transfer	286,901	292,014	271,864
Police Services - Federal transfer	303,288	303,288	295,171
Police Services - Provincial transfer	279,958	279,958	272,466
	3,443,248	3,419,152	3,402,453
Licenses, permits and fines			
Taxi, business and dog licenses	26,500	21,130	33,436
Building permits	1,007,000	1,501,038	1,246,474
Development approval	78,000	80,150	63,200
Parking, municipal bylaw, and other fines	476,440	342,470	447,824
Police security checks, fine sharing and false alarms	77,000	81,504	104,083
	1,664,940	2,026,292	1,895,017
Sales and other revenue			
Parking meters	665,000	458,284	672,718
Parking lots and garages	1,447,817	907,762	1,511,264
Public transit	2,041,050	1,551,704	2,264,195
Para transit	32,000	25,189	35,786
Chartered busing	25,000	260	25,875
Arena rentals	1,396,227	1,107,660	1,427,838
Outside user fee	566,499	580,684	566,596
Community centres	218,565	116,214	317,067
Indoor pool	264,047	113,942	270,503
Sports fields	297,588	246,762	284,280
Cultural Development	8,300	4,341	8,681
Police sale of unclaimed goods	2,000	5,531	10,375
Fire prevention recovery	5,000	-	4,351
Cash flow and investment management	229,500	394,357	523,668
Miscellaneous	7,500	209,296	432,355
Vehicle auction proceeds	-	275,509	143,761
	7,206,093	5,997,495	8,499,313
<b>Total revenue from operations</b>	\$ 122,390,111	\$ 121,518,769	\$ 119,600,774



# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

	2020		2019
	Budget	Actual	Actual
<b>General Operating Fund - Consolidated</b>			
<b>Revenue (Continued):</b>			
Government transfers	\$ -	\$ 3,004,616	\$ 3,611,714
Third party contributions	-	1,486,270	343,157
Second previous years' surplus	1,988,495	1,988,495	2,271,017
<b>Total revenue</b>	\$ 124,378,606	\$ 127,998,150	\$ 125,826,662

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## General Operating Fund - Consolidated

	2020		2019
	Budget	Actual	Actual
<b>Expenditure from operations:</b>			
Governance & Civic Engagement			
Community Leadership	\$ 2,171,340	\$ 2,451,362	\$ 2,450,873
Management Systems	2,412,255	2,021,893	2,020,268
Intergovernmental Affairs	78,016	126,645	153,050
	4,661,611	4,599,900	4,624,191
Economic Vitality			
Business Attraction & Retention	1,042,699	1,010,703	938,511
Parking Management	1,973,121	1,824,222	1,583,491
Tourism Development & Operations	979,848	801,926	890,697
Tourism Marketing & Sales	2,781,546	2,562,510	2,605,431
	6,777,214	6,199,361	6,018,130
Environmental Stewardship			
Solid Waste Management	3,179,551	3,154,099	2,918,382
Composting	12,642	31,888	97
Environmental Outreach	114,611	120,029	112,980
Storm Water Management	946,106	1,011,053	1,172,702
	4,252,910	4,317,069	4,204,161
Livable Community			
Arboriculture	1,365,732	1,404,234	1,396,613
Community Liaison & Social Outreach	152,906	127,217	128,717
Community Special Event Coordination & Support	715,647	688,794	638,581
Cultural Development	2,329,980	2,515,636	2,205,019
Development Approval	1,063,127	979,784	668,396
Heritage Planning & Conservation	209,862	180,535	201,413
Horticulture	1,120,441	1,108,848	1,143,202
Land Use Planning	755,709	453,806	1,186,277
Leisure and Recreation Development and Delivery	2,944,958	2,537,972	2,895,042
Parks and Playground Management	1,735,535	2,705,362	3,985,087
Recreation Facility Scheduling	5,827,065	5,375,304	5,520,921
Sport Field Management	328,387	266,505	236,783
	18,549,349	18,343,997	20,206,051
Mobility			
Chartered Busing	65,043	63,280	68,858
Dial-a-Bus Transit	668,356	546,252	604,409
Fixed Route Scheduled Transit	6,157,512	5,781,805	5,762,965
Roadway Management	9,001,483	10,317,683	10,429,694
Sidewalk Management	1,247,269	1,086,148	1,022,185
Taxi Industry Regulation	90,728	88,662	82,940
Trails Management	643,156	648,669	574,402
Transportation System Management	1,252,850	1,191,113	1,240,797
	19,126,397	19,723,612	19,786,250

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## General Operating Fund - Consolidated

	2020		2019
	Budget	Actual	Actual
<b>Expenditure from operations (Continued):</b>			
Public Safety			
Animal Registration & Control	145,498	<b>135,799</b>	153,966
Building Construction Permission & Enforcement	1,172,661	<b>1,160,520</b>	1,106,542
Bylaw Enforcement	340,420	<b>339,684</b>	361,661
Emergency Preparedness	646,627	<b>620,844</b>	746,949
Fire Emergency Incident Mitigation	14,624,277	<b>14,415,458</b>	14,764,212
Fire Investigation	495,516	<b>501,036</b>	524,809
Fire Prevention & Inspection	2,194,750	<b>2,087,169</b>	2,238,857
Police - Investigate Crime	5,987,646	<b>6,439,089</b>	6,159,258
Police - Maintain Peace and Order	5,853,734	<b>6,240,793</b>	6,016,824
Police - Prevent Crime and Harm	5,871,582	<b>6,286,565</b>	6,021,729
Police - Protect Life and Property	5,917,620	<b>6,336,882</b>	6,101,911
	<b>43,250,331</b>	<b>44,563,839</b>	44,196,718
Corporate Services			
Business Disruption Recovery Coordination	-	-	5,340
Communications Management	517,431	<b>546,361</b>	644,179
Continuous Improvement	482,673	<b>507,309</b>	570,364
Facilities Management	6,595,218	<b>5,793,091</b>	5,815,701
Financial Management	2,981,745	<b>1,375,059</b>	1,943,111
Fleet & Equipment Management	4,160,557	<b>4,377,319</b>	4,597,625
Human Resource Management	1,141,530	<b>501,391</b>	212,318
Information Technology Solution Delivery	826,079	<b>1,045,627</b>	805,422
Information Technology Support	1,739,574	<b>2,210,543</b>	2,449,342
Insurance Coverage Service	105,618	<b>107,969</b>	111,056
Legal Services	760,348	<b>653,515</b>	739,020
Occupational Health & Safety	52,284	<b>79,829</b>	81,215
Public Procurement Management	435,872	<b>463,332</b>	361,156
Public Safety Service Request Management	2,282,690	<b>2,463,701</b>	2,306,024
Real Estate Management	1,990,245	<b>1,843,047</b>	1,868,870
Records Management	70,866	<b>73,130</b>	76,601
Request Management	338,495	<b>365,208</b>	310,518
Corporate overhead allocated to external services	(24,481,223)	<b>(22,406,431)</b>	(22,897,863)
Property assessment and collection (PNB)	1,474,741	<b>1,474,741</b>	1,416,797
Payment in Lieu of Federal Taxes	-	-	8,189
	<b>1,474,743</b>	<b>1,474,741</b>	1,424,985

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## General Operating Fund - Consolidated

	2020		2019
	Budget	Actual	Actual
<b>Expenditure from operations (Continued):</b>			
Sustainable Infrastructure			
Capital Asset Management	1,395,508	840,521	910,624
Capital Planning and Implementation	451,275	556,154	569,942
Capital Prioritization & Investment Service	542,218	341,397	281,800
Debt & Affordability Management Service	32,722	32,929	37,292
Debt principal repayment	3,997,346	4,003,746	3,995,225
Interest on capital debt	1,411,127	1,287,423	1,618,470
Funding current year's new capital projects	4,890,476	5,620,236	2,870,184
Funding current year's capital renewal projects	13,565,379	12,756,814	12,220,154
	26,286,051	25,439,220	22,503,691
Transfer to General Capital Reserve	-	566,792	3,735,095
Transfer to General Operating Reserve	-	374,278	482,005
Total transfer to reserves	-	941,070	4,217,100
<b>Total expenditure from operations</b>	\$ 124,378,606	\$ 125,602,809	\$ 127,181,277
<b>General Operating Fund surplus (deficit) from operations</b>	\$ -	\$ 2,395,341	\$ (1,354,615)
<b>Remeasurement gains and losses:</b>			
Unrealized gain (loss) attributable to foreign exchange	\$ -	\$ (45,093)	\$ (141,540)
Unrealized gain (loss) on investments	-	8,261	97,097
Unrealized surplus from subsidiary entities	-	424,493	559,028
<b>Total remeasurement gains</b>	\$ -	\$ 387,661	\$ 514,585
<b>Consolidated General Fund annual surplus (deficit)</b>	\$ -	\$ 2,783,002	\$ (840,030)

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

## Water and Sewerage Operating Fund - Consolidated Statement of Revenue and Expenditure

	2020		2019
	Budget	Actual	Actual
<b>Revenue:</b>			
Water and sewerage rates	\$ 19,924,691	\$ 19,614,329	\$ 19,119,341
Water supply for fire protection	1,000,612	1,000,612	1,000,612
Miscellaneous revenue	72,450	381,329	121,268
Interest	-	101,130	127,548
Transfer from utility reserve	-	102,819	768,545
Land sales and vehicle auction proceeds	-	42,813	120,771
Federal and Provincial grant funding	-	5,213,781	5,028,981
Second previous years' surplus	1,862,191	1,862,191	662,013
<b>Total revenue</b>	<b>\$ 22,859,944</b>	<b>\$ 28,319,004</b>	<b>\$ 26,949,079</b>
<b>Expenditure:</b>			
Water			
Purification and treatment	\$ 314,300	\$ 663,974	\$ 625,674
Source of supply	290,000	169,916	224,277
Transmission and distribution	63,590	75,883	84,149
Plant and equipment maintenance	484,289	933,593	1,087,126
Billing and collecting	90,265	122,174	116,261
Water meters	56,000	344,750	337,974
	1,298,444	2,310,290	2,475,461
Sewerage			
Lift stations and system maintenance	630,187	905,598	669,222
Sewerage treatment and disposal	2,109,342	2,169,572	2,102,880
	2,739,529	3,075,170	2,772,102
Common services			
	6,537,729	5,442,507	5,309,728
Fiscal services			
Funding current year's new capital projects	-	2,164,072	2,498,440
Funding current year's renewal capital projects	12,284,242	10,199,192	11,692,188
Transfer to water and sewer capital reserve	-	3,409,643	768,545
	12,284,242	15,772,907	14,959,173
<b>Total expenditure</b>	<b>\$ 22,859,944</b>	<b>\$ 26,600,874</b>	<b>\$ 25,516,464</b>
<b>Annual surplus</b>	<b>\$ -</b>	<b>\$ 1,718,130</b>	<b>\$ 1,432,615</b>

# CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

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## **29. Comparative figures**

Certain amounts of the previous year have been reclassified to conform to the presentation adopted for the current year.

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## **30. COVID-19 public health emergency**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ["COVID-19"] as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus, including the announcement of a public health emergency in the Province of New Brunswick on March 19, 2020. Some of the measures put in place included the shutdown of non-essential services, travel restrictions, barring of gatherings of people, and requirements to stay at home and work from home where possible. As of the date of issuing the consolidated financial statements, the ongoing duration and impact of COVID-19 is unknown and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the consolidated financial results and condition of the City in future fiscal years.