

Financial Statements

Year Ended December 31, 2022

Fredericton

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Governance and Strategic Management

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

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

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

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

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

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

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

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

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

Financial Statement Discussion & Analysis

Introduction

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

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

Highlights

Revenue

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

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

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

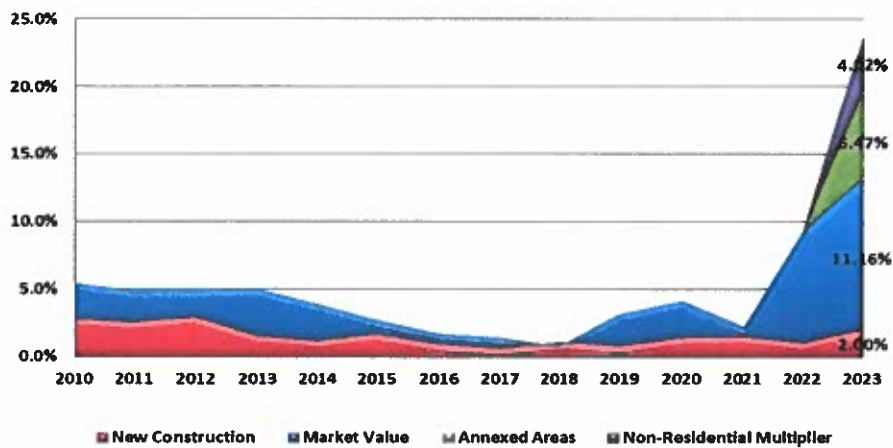
Rising costs and increasing needs for public services continue to be the key drivers for negotiating new service contracts. Staff continue to negotiate contracts with neighboring communities for such services as Policing and Fire Protection of Saint Mary's First Nation, Fire to LSDs and 911 Dispatch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

Revenue growth from property taxes is unpredictable

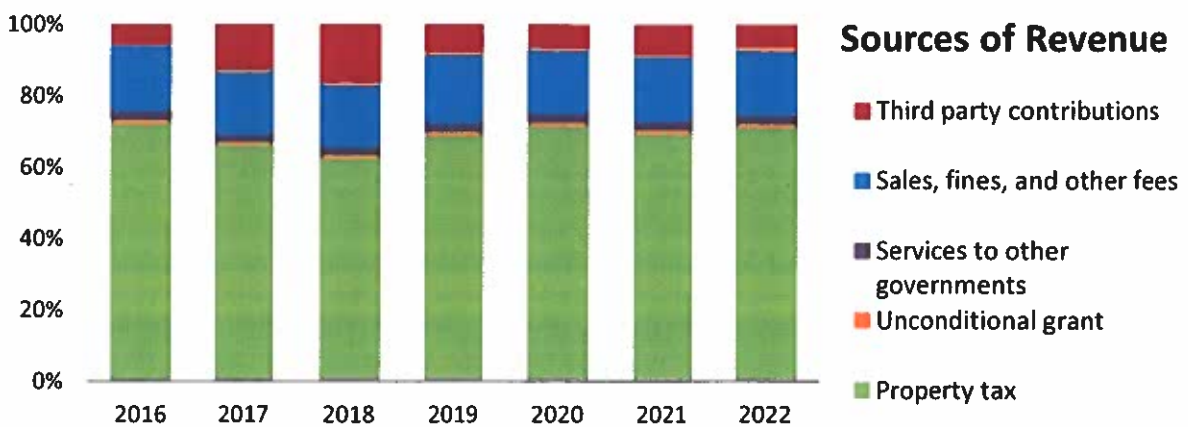
The City's revenue growth from property tax was on a downward trend but has rebounded after the property tax freeze in 2018. Tax base growth is composed of new construction and increases in the assessed market value of existing properties.

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

Growth in the Property Tax Base



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

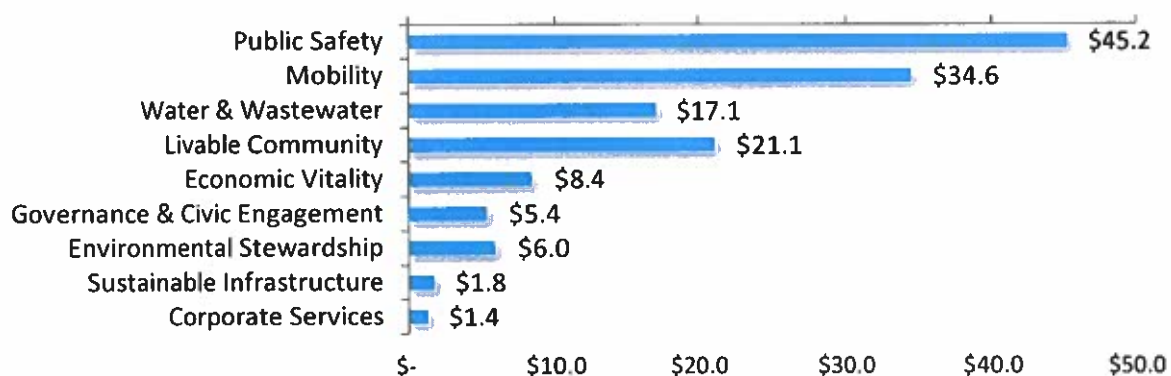


The reliance on property taxes is partly due to a reduction in the Community Funding and Equalization grant received from the Province of New Brunswick. The grant decreased over a four-year period, from \$5.78 million in 2011 to \$1.71 million in 2015. In 2022, the Community Funding and Equalization grant was 1.2% of total revenue, compared to 4.3% in 2011. Due to Local Governance Reform, the Province has announced changes to the Community Funding and Equalization Grant that will result in allocation to the City of Fredericton being reduced to zero by 2026.

Expenses by Program Results Area

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

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

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

Union agreements

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

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

Costs are expected to increase faster than revenue growth

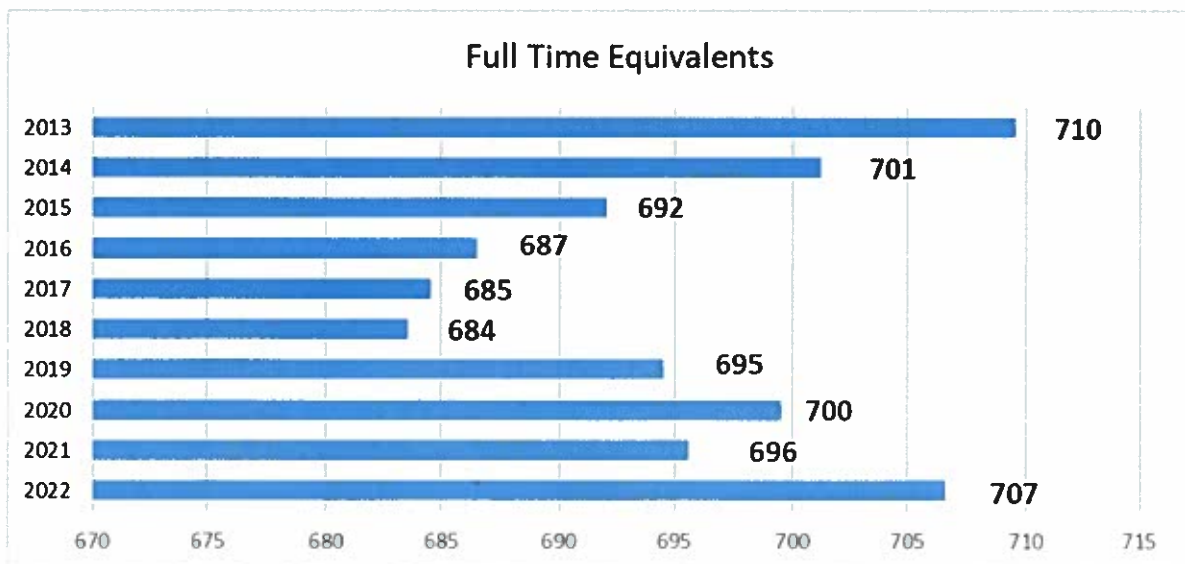
The City's inflationary costs have been increasing at a higher rate than revenues being generated through property taxes and are also higher than a typical consumer's inflation as measured by the Consumer Price Index.

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

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

Aligning the workforce to a growing community – striking the balance

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



City is mandated to operate within a balanced budget framework

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

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

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

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

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

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

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

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

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

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

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

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

In 2022, amortization expense was recorded at \$23.9 million, while the total investment in replacement and new infrastructure was \$36.5 million. Capitalizing investments as assets and recording amortization expense under PSAB standards resulted in an annual expense that was \$12.6 million lower than the City's

cash operating budget because the historical amortization expense is much lower than current replacement costs. This creates an annual surplus when reporting for Public Sector Accounting purposes.

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

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

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

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

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

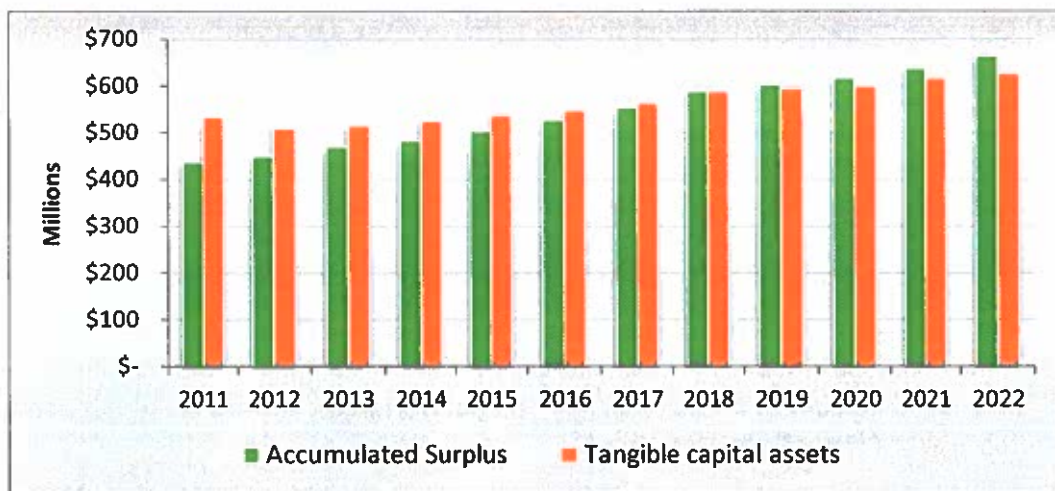
Also included in third party contributions are government transfers and funding for major capital projects. In 2022, the Federal and Provincial governments contributed investments in infrastructure valued at \$5.9 million including contributions for transit upgrades, lighting upgrades at Tingley and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

Accumulated surplus related to investments in infrastructure

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

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

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



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

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

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

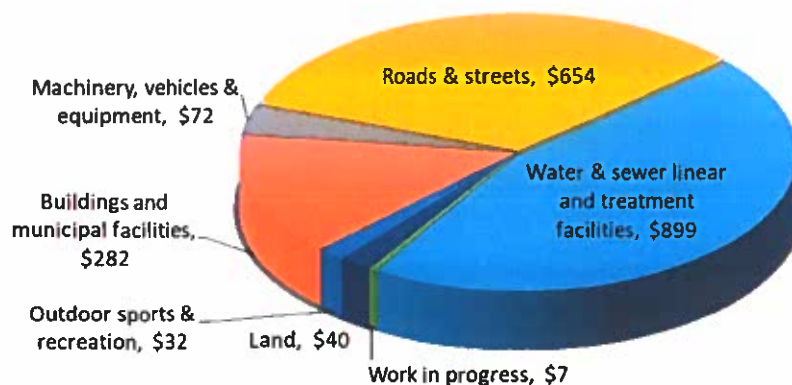
Investments in infrastructure support Program Results

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

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

Infrastructure Condition and Deficit

Total Replacement Value of Infrastructure \$1,986 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	2022	2021
Outdoor sports & recreation	\$ 5.2	\$ 2.0
Buildings and municipal facilities	46.7	40.7
Machinery, vehicles & equipment	12.2	7.0
Roads & streets	69.3	60.5
Water & sewer linear and treatment facilities	188.1	174.4
	<u>\$ 321.4</u>	<u>\$ 284.5</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. As mentioned, this Plan will undergo an in depth review to update policies and determine effectiveness over time.

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

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

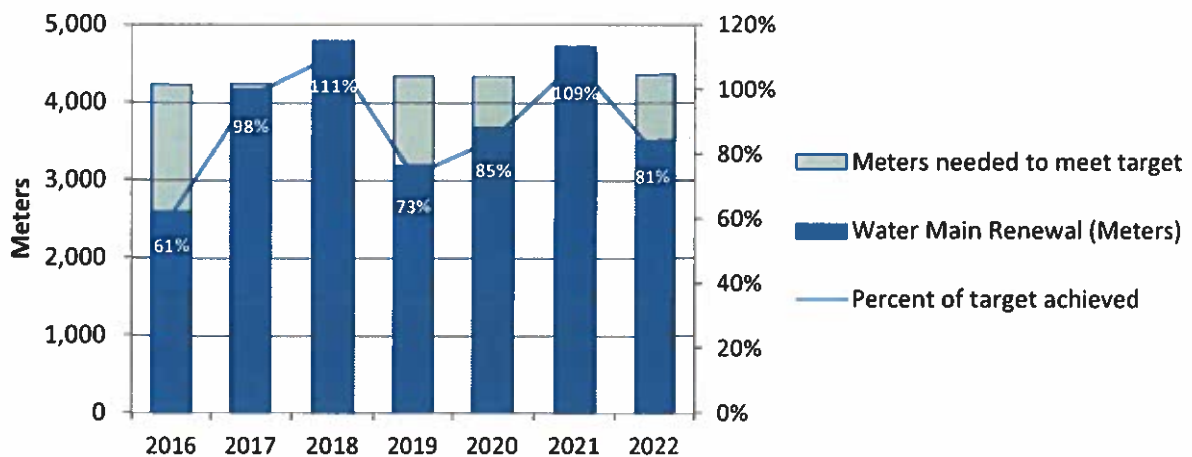
Water and Sewer linear assets represent the largest area of infrastructure deficit

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

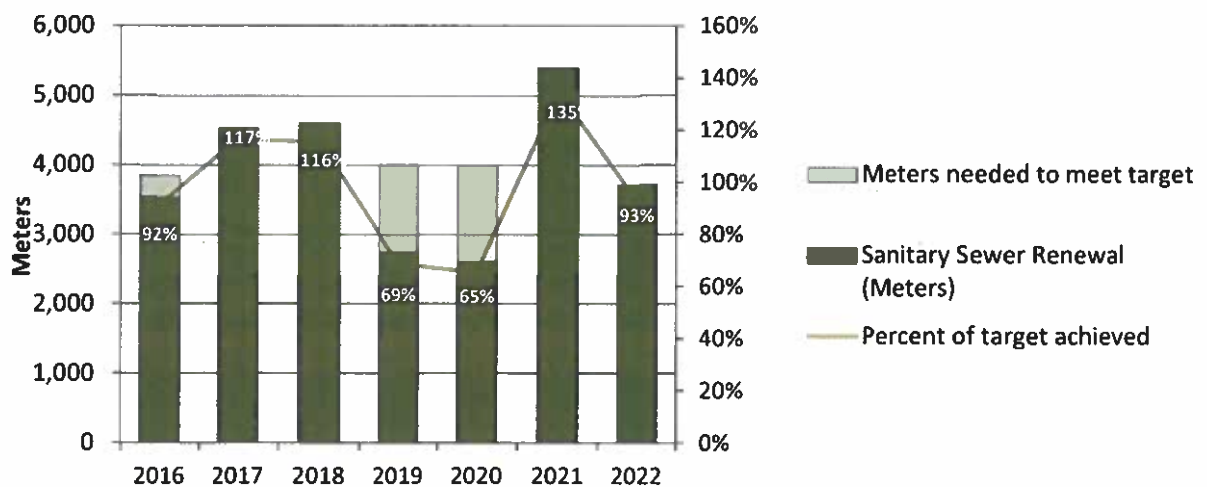
Water & Sewer Linear Assets	Total Length (km)	Infrastructure in Service Beyond Expected Useful Life		
		Length of Deficit (km)	Percent of Total	Replacement Cost (in millions)
Water mains	437.0	120.9	28%	\$ 114.9
Sanitary sewers	401.7	20.3	5%	\$ 15.3

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

Water Main Renewal Compared to Target



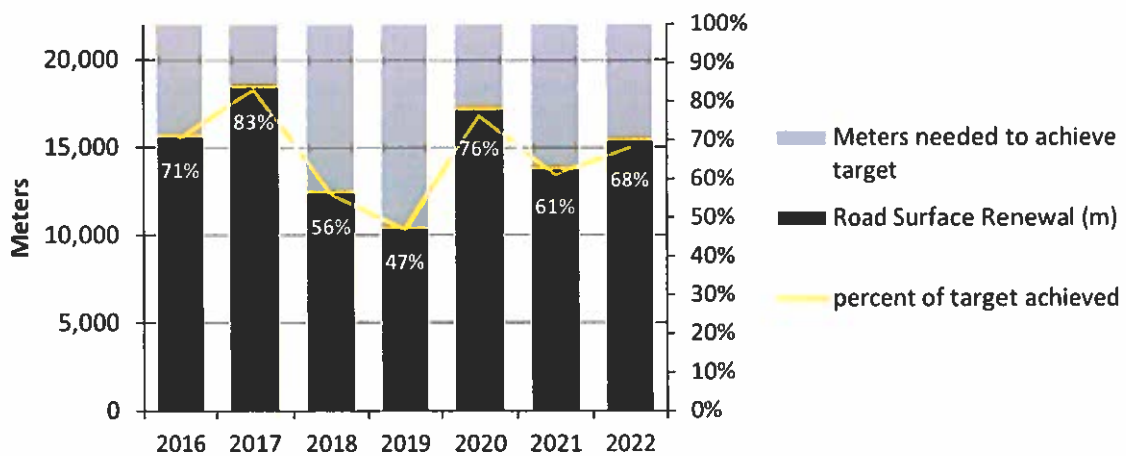
Sanitary Sewer Renewal Compared to Target



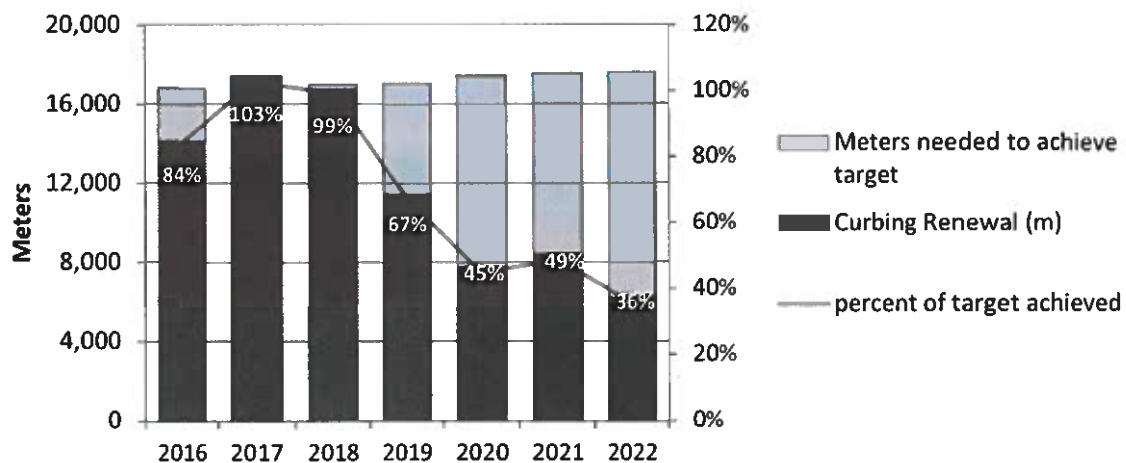
Roads and Streets assets require significant reinvestment to sustain the quality of service

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

Road Surface Renewal Compared to Target

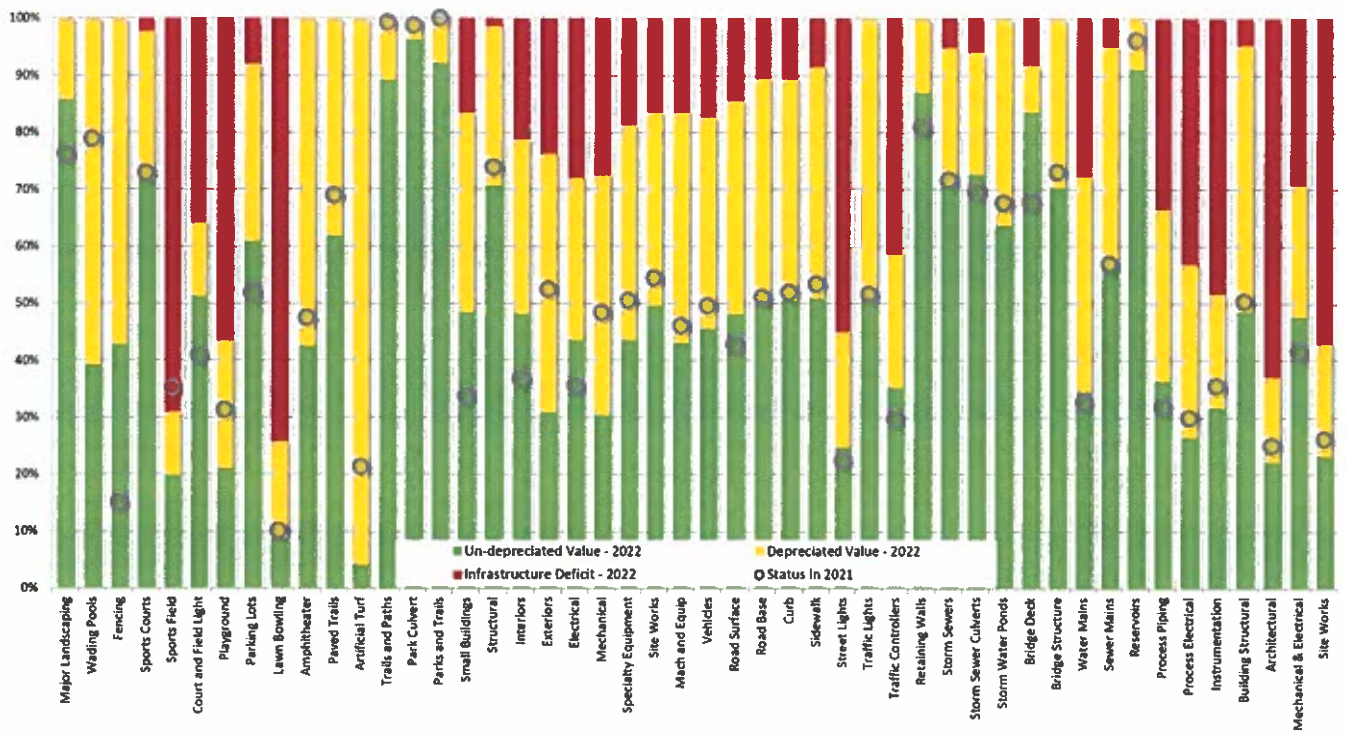


Curbing Renewal Compared to Target



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

Infrastructure Condition



Assessment of Financial Trends

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

Change in Net Debt

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

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

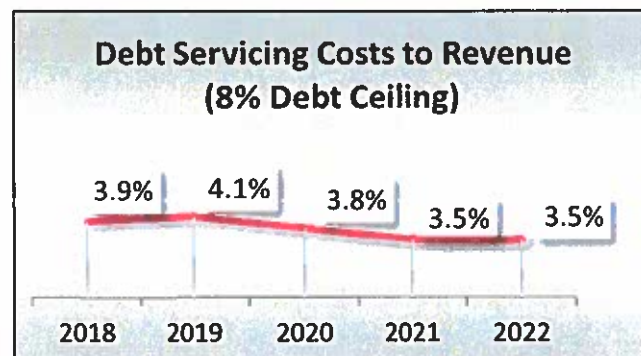
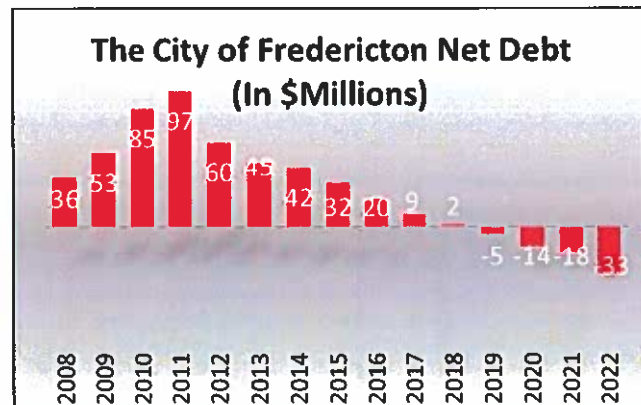
Debt Servicing Costs

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

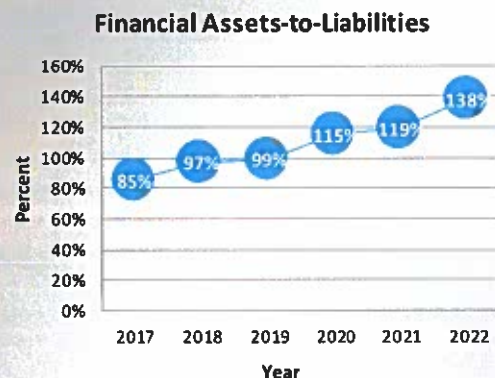
- Debt servicing costs of \$5.4 million were recorded in 2022, including \$1.1 million in interest and \$4.3 million in principal repayments.

Improving Asset-to-Liability ratio

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

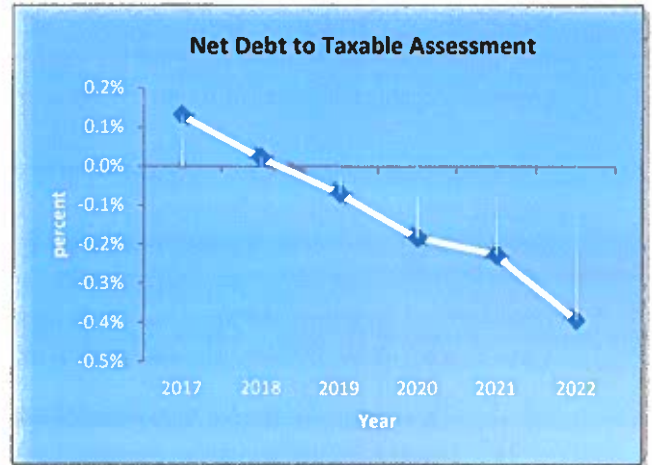


Comparison of Assets-to-Liabilities			
Year	Total financial assets (\$millions)	Total liabilities (\$ millions)	Total assets / total liabilities (percent)
2015	36.6	68.5	53%
2016	43.2	63.0	69%
2017	53.0	62.4	85%
2018	56.1	57.7	97%
2019	70.2	70.8	99%
2020	68.3	59.5	115%
2021	79.6	67.1	119%
2022	93.7	68.0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



Taxpayer Affordability

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

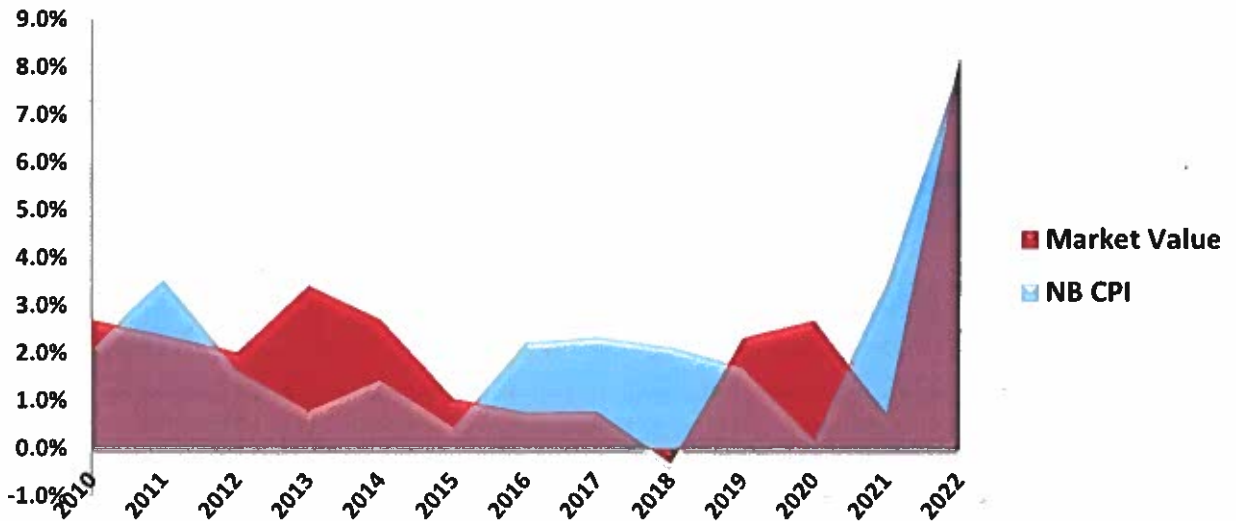


Municipal Tax Burden

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

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

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.

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

Slowing Revenue

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

Rising Costs

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

Financial Risks

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

Environmental Risks

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

Economic Risks

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

Economic Risks

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

Strategies and Techniques for Managing Risk

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

Municipal Plan

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

Long-term financial plans

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

Results-based budgeting

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

Corporate strategies

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

Indicators of Financial Health

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

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

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

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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, 2022, 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, 2022 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
March 27, 2023

Ernst & Young LLP

Chartered Professional Accountants



CITY OF FREDERICTON

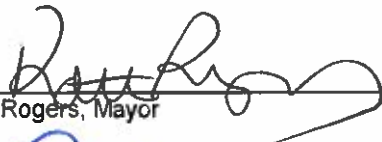
Consolidated Statement of Financial Position

As at December 31, 2022

	2022	2021
Financial assets		
Cash and cash equivalents <i>[note 2]</i>	\$ 75,666,835	\$ 60,130,656
Investments	6,399,083	4,682,889
Accounts receivable	11,629,976	14,774,177
Accrued pension asset <i>[note 8]</i>	7,721,000	5,149,600
	\$ 101,416,894	\$ 84,737,322
Liabilities		
Accounts payable and accrued liabilities	\$ 12,668,136	\$ 13,137,098
Deferred revenue	5,687,396	3,813,889
Deferred government transfers <i>[note 4]</i>	12,513,896	8,396,633
Deposits <i>[note 3]</i>	794,484	794,576
Long-term debt <i>[note 5]</i>	34,835,335	39,143,541
Long-term commitment <i>[note 17]</i>	1,483,440	1,784,255
	\$ 67,982,687	\$ 67,069,992
Net surplus	\$ 33,434,207	\$ 17,667,330
Non-financial assets		
Tangible capital assets <i>[note 21]</i>	\$ 626,080,545	\$ 615,803,835
Supplies inventory	3,264,732	2,793,178
	\$ 629,345,277	\$ 618,597,013
Accumulated surplus	\$ 662,779,484	\$ 636,264,343

Contingencies *[note 11]*
See accompanying notes

Approved by:



Kate Rogers, Mayor



Alicia Keating, City Treasurer

CITY OF FREDERICTON

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2022

	2022 Budget	2022 Actual	2021 Actual
Revenue			
Property taxes	\$ 118,873,040	\$ 118,873,040	\$ 111,089,470
Community funding and equalization grant	1,967,081	1,967,081	2,026,188
Federal grant in lieu of taxes adjustment	14,504	14,504	11,627
Services to other governments	3,835,093	3,882,021	3,751,796
Sales, fines and other fees	28,814,146	30,428,041	29,047,882
Interest and return on investments	280,000	1,809,071	1,110,810
Third-party contributions	-	10,678,332	13,742,607
	\$ 153,783,864	\$ 167,652,090	\$ 160,780,380
Expenses			
General Government Services – Corporate	\$ 1,645,645	\$ 1,362,537	\$ 728,332
Sustainable Infrastructure	2,258,538	1,823,411	1,718,021
Economic Vitality	9,504,213	8,428,998	8,114,575
Environmental Stewardship	5,914,412	6,005,642	5,351,348
Governance and Civic Engagement	5,494,507	5,435,510	6,005,005
Livable Community	21,997,826	21,136,568	20,665,102
Mobility [including Transit]	32,706,793	34,674,817	31,057,512
Public Safety	47,489,036	45,189,868	45,661,100
Water and Wastewater	17,112,734	17,079,598	20,955,536
	\$ 144,123,704	\$ 141,136,949	\$ 140,256,531
Annual surplus	\$ 9,660,160	\$ 26,515,141	\$ 20,523,849
Accumulated surplus, beginning of year	588,357,639	636,264,343	615,740,494
Accumulated surplus, end of year	\$ 598,017,799	\$ 662,779,484	\$ 636,264,343

See accompanying notes

CITY OF FREDERICTON

Consolidated Statement of Changes in Net Surplus

For the year ended December 31, 2022

	2022 Budget	2022 Actual	2021 Actual
Annual surplus	\$ 9,660,160	\$ 26,515,141	\$ 20,523,849
Acquisition of tangible capital assets	(33,683,108)	(36,543,555)	(47,642,524)
Disposal of tangible capital assets	4,222,261	2,317,820	7,262,777
Amortization of tangible capital assets	22,968,188	23,949,025	23,474,802
(Decrease) increase in supplies inventory	-	(471,554)	123,151
	\$ (6,492,659)	\$ (10,748,264)	\$ (16,781,794)
Increase in net surplus	3,167,501	15,766,877	3,742,055
Net surplus, beginning of year	17,667,330	17,667,330	13,925,275
Net surplus, end of year	\$ 20,834,831	\$ 33,434,207	\$ 17,667,330

See accompanying notes

CITY OF FREDERICTON

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022	2021
Operating activities		
Annual surplus	\$ 26,515,141	\$ 20,523,849
Items not affecting cash		
Amortization of tangible capital assets	23,949,025	23,474,802
Loss on sale of tangible capital assets	211,957	2,955,364
Uses		
Change in working capital	2,675,147	(2,499,093)
Change in accrued pension asset	(2,571,400)	48,500
Change in assets held for sale	-	806,374
Change in deferred revenue	1,873,507	(352,799)
Change in deferred government transfers	4,117,263	3,235,955
Change in long-term commitment	(300,815)	(302,131)
Change in supplies inventory	(471,554)	123,151
Cash provided by operating activities	\$ 55,998,271	\$ 48,013,972
Capital activities		
Proceeds on sale of tangible capital assets	2,105,863	4,307,413
Acquisition of tangible capital assets	(36,543,555)	(47,642,524)
Cash used in capital activities	\$ (34,437,692)	\$ (43,335,111)
Financing activities		
Proceeds of long-term debt	-	5,964,000
Repayment of long-term debt	(4,198,473)	(3,877,783)
Capital lease principal repayments	(109,733)	(130,789)
Cash (used in) provided by financing activities	\$ (4,308,206)	\$ 1,955,428
Investing activities		
Change in long-term investments	(1,716,194)	624,984
Cash (used in) provided by investing activities	\$ (1,716,194)	\$ 624,984
Change in cash and cash equivalents	15,536,179	7,259,273
Cash and cash equivalents, beginning of year	60,130,656	52,871,383
Cash and cash equivalents, end of year	\$ 75,666,835	\$ 60,130,656

See accompanying notes

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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, 2022

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
Land: all land owned by the City, including land under buildings	N/A
Land improvements: include major landscaping projects, sports fields/courts, trail culverts, paved trails, parking lots, playgrounds and similar assets	15–80 years
Buildings: 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
Machinery and equipment: include information technology assets, large signage, transit fare boxes, motorized fleet equipment, parking meters, leasehold improvements and similar assets	3–40 years
Vehicles: all City vehicles, including cars, trucks, buses and similar assets	6–20 years
Linear assets: all Public Works infrastructure including roads, sidewalks, street lights, traffic signals, storm sewers, water and sewer mains	15–80 years
Water and wastewater treatment facilities: include 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, 2022

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 8]*.

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 9]*.

(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 as at the date of the consolidated financial statements. Actual results may differ from those estimates.

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 \$46,771,938 [2021 – \$36,827,220].

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

3. 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.

	2022	2021
Foundation locations	\$ 86,500	\$ 86,500
Tenders	50,622	52,914
Infrastructure fees	306,796	306,796
Performance bonds	205,806	205,806
Animal control and other	240	240
Development fees	8,740	8,541
Water and sewer installations	135,780	133,779
	<u>\$ 794,484</u>	<u>\$ 794,576</u>

4. 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:

	2022	2021
Gas Tax Funding	<u>\$ 12,513,896</u>	<u>\$ 8,396,633</u>

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

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

5. Long-term debt	2022	2021
General Fund		
Debentures, 20-year amortization period:		
Maturing in 2023, bearing interest at 2.10% to 5.55%	\$ 3,828,000	\$ 4,377,000
Maturing in 2026, bearing interest at 1.45% to 2.90%	3,469,313	4,298,671
Maturing in 2026, bearing interest at 1.45% to 2.90%	651,716	807,512
Maturing in 2028, bearing interest at 2.10% to 3.45%	1,401,223	1,615,542
Maturing in 2029, bearing interest at 1.95% to 2.45%	9,089,000	10,282,000
Maturing in 2030, bearing interest at 0.50% to 1.80%	5,004,000	5,602,000
Maturing in 2033, bearing interest at 1.35% to 4.00%	5,591,000	6,003,000
Maturing in 2041, bearing interest at 0.86% to 2.96%	5,717,000	5,964,000
	34,751,252	38,949,725
Capital lease obligations with implicit interest rates of 2.85% and 4.54%	84,083	193,816
Total long-term debt	\$ 34,835,335	\$ 39,143,541

The General Fund debentures 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 debentures 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:

2023	7,536,910
2024	3,778,998
2025	3,858,759
2026	3,945,378
2027 and thereafter	15,631,207
	\$ 34,751,252

Interest in the amount of \$1,042,828 [2021 – \$1,048,040] relating to the debentures is included in interest expense.

Capital lease obligations due within the next year are as follows:

2023	84,083
Total minimum lease payments	\$ 84,083

Interest in the amount of \$8,957 [2021 – \$14,968] relating to the capital lease obligations is included in interest expense.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

6. Capital borrowing

Requested and approved capital borrowing

The City obtained approval under Order in Council ("OIC") and Ministerial order to borrow an amount of \$78,814,000, of which \$5,964,000 was financed in 2021, \$8,950,000 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
General Government	OIC 21-0048	9,487,000	5,964,000
Total authorizations to December 31, 2022		<u>\$ 82,337,000</u>	<u>\$ 78,814,000</u>

Of the total amount borrowed, \$34,751,252 [2021 – \$38,949,725] remains to be repaid [see note 5].

7. Capital commitments

There are no significant capital commitments outstanding as at December 31, 2022 [2021 – nil].

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

8. Pension asset/liability

a - Superannuation Pension Plan

The City provides pension benefits to certain employees of the City, in accordance with the *Pension Benefits Act* (New Brunswick) and City By-Law A-5. The Superannuation Pension Plan [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 December 31, 2021 and extrapolated to December 31, 2022.

	2022	2021
Plan assets, at market-related value, January 1	\$ 104,750,500	\$ 102,243,700
Contributions – City	2,157,300	2,241,400
Contributions – employee required	1,900,300	1,868,900
Benefit payments	(5,373,300)	(6,587,000)
Administrative expenses paid from plan assets	(250,000)	(250,000)
Expected earnings on market-related value	6,861,800	5,346,600
Actuarial loss	(22,948,900)	(113,100)
Plan assets, at market-related value, December 31	\$ 87,097,700	\$ 104,750,500
Accrued benefit obligation, January 1	\$ 88,491,100	\$ 101,096,100
Current service cost	2,688,200	3,377,700
Benefit payments	(5,373,300)	(6,587,000)
Interest on accrued benefit obligation	5,748,700	5,270,600
Net actuarial loss (gain)	3,088,800	(14,666,300)
Accrued benefit obligation, December 31	\$ 94,643,500	\$ 88,491,100
Unamortized actuarial gains (losses), January 1	\$ 10,741,800	\$ (4,428,400)
Current-year gains (losses) on accrued obligation	(3,088,800)	14,666,300
Actuarial losses on pension fund assets	(22,948,900)	(113,100)
Amortization of prior-year actuarial losses	(292,600)	617,000
Unamortized actuarial gains (losses), December 31	\$ (15,588,500)	\$ 10,741,800
Net pension fund asset comprising:		
Accrued benefit obligation	\$ 94,643,500	\$ 88,491,100
Less plan assets	(87,097,700)	(104,750,500)
Plus unamortized gains (losses)	(15,588,500)	10,741,800
Net pension fund asset	\$ (8,042,700)	\$ (5,517,600)
City portion of Plan expenses		
Current year benefit cost	\$ 2,938,200	\$ 3,627,700
Less employee contributions	(1,900,300)	(1,868,900)
(Less) plus amortization of prior-year actuarial losses	(292,600)	617,000
	745,300	2,375,800
Interest during the year on average pension asset	(1,113,100)	(76,000)
Pension-related expense (income)	\$ (367,800)	\$ 2,299,800

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

8. Pension asset/liability (continued)

b - Supplemental Executive Retirement Plan

	2022	2021
Accrued actuarial obligation	\$ 321,700	\$ 368,000

c - Net pension asset/liability

	2022	2021
Superannuation Pension Plan	\$ (8,042,700)	\$ (5,517,600)
Supplemental Executive Retirement Plan	321,700	368,000
	\$ (7,721,000)	\$ (5,149,600)

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

Discount rate:	7.00% for 2022 year-end disclosures [6.60% for fiscal 2022 expense and 2021 year-end disclosures]
Inflation rate:	2.10% [2021 – 2.00%] per annum
Salary growth rate:	2.85% [2021 – 2.75%] per annum, plus promotional and merit scale
Retirement age:	60% [2021 – 60%] at the age first eligible for an unreduced pension, 20% [2021 – 0%] at 35 years of service [if prior to age 65], remainder at age 65 [2021 – 65]

Significant management assumptions used in the actuarial valuation for the SERP are:

Discount rate:	2.85% [2021 – 1.85%] per annum
Inflation rate:	2.50% per annum

The 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.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

9. 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, 2022 are as follows:

	2022	2021
Accrued benefit liability as at January 1	\$ 11,179,100	\$ 10,866,600
Current service cost	904,900	846,800
Interest on obligation	251,400	239,800
Benefit payments	(744,800)	(1,041,000)
Amortization of losses	297,600	266,900
Accrued benefit liability as at December 31	\$ 11,888,200	\$ 11,179,100
Restricted cash and investments for retirement allowance	\$ 11,888,200	\$ 11,179,100
Net accrued benefit obligation	\$ -	\$ -
City portion of benefit expenses		
Current-period benefit cost	\$ 904,900	\$ 846,800
Interest cost	251,400	239,800
Amortization of losses	297,600	266,900
Retirement allowance expense	\$ 1,453,900	\$ 1,353,500

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

Discount rate:	2.85% [2021 – 1.85%] per annum
Salary growth rate:	2.75% in 2022, 5.38% in 2023, 6.00% in 2024 and 2.75% per annum thereafter, plus promotional and merit scale [2021 – 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

10. Expenses by object

	2022	2021
Salaries and benefits	\$ 74,250,784	\$ 73,852,323
Goods and services	41,570,337	38,911,034
Amortization	23,949,025	23,474,802
Interest	1,051,785	1,063,009
Other	315,018	2,955,363
	\$ 141,136,949	\$ 140,256,531

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

11. Contingencies

(i) 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.

12. Recreational service agreement

The City entered into Recreational Service Agreements ("Agreements") with a number of surrounding Local Service Districts (the "LSDs") and the Village of New Maryland (the "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 LSDs and the Village 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 23]. 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 \$641,547 [2021 – \$585,499] and are included in revenue under services to other governments.

13. Other

Funds held in trust

Trust fund assets administered by the City for the benefit of external parties in the amount of \$845,440 [2021 – \$746,554] are not included in these consolidated financial statements.

Lease arrangement

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, 2014. 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.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

14. 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 20]. 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 & 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 the 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, Bylaw 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 (Utility Operations)

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

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

15. Province of New Brunswick compliance requirements

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

(i) Inter-fund accounts

All inter-fund accounts as at December 31, 2022 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 100 of the *Local Governance 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 2020-52 under the *Local Governance Act* based on the applicable percentage of water system expenditures for the population.

(iv) Second previous year's surplus

The *Local Governance 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 22].

16. 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 Saint Mary's First Nation for policing services to St. Mary's First Nation. Amounts included relating to expenses and recoveries are as follows:

	2022		2021
St. Mary's First Nation policing expenses	\$ 730,494	\$	816,058
Federal contribution	(320,198)		(311,628)
Provincial contribution	(295,555)		(287,656)
City contribution	\$ 114,741	\$	216,774

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

17. Shared risk pension

The City is a participating contributing employer to the City of Fredericton Shared Risk Plan [the "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.

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 \$1,483,440.

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

2023	299,474
2024	298,108
2025	296,715
2026	295,295
2027	293,848
	<hr/>
	\$ 1,483,440

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, 2022. At that date, the open group funded ratio of the Plan was 122.0% [2021 – 116.9%].

18. Pension plan asset split

A split, and transfer of assets from the Superannuation 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, was approved by the Superintendent of Pensions' office on November 18, 2014. The transfer of assets was based on a division of assets from the old plan to the new plan and SRP Plan using a going concern basis.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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 use of a going concern basis to determine the transfer of assets was appealed by the police and fire union to the Financial and Consumer Services Tribunal ([The Tribunal]). The Tribunal issued its decision on the appeal on March 9, 2016, overturning the original basis used for the division of assets (a going concern basis) in favour of a solvency apportionment of assets (the [solvency basis]).

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.

As a result of additional appeals, regarding the results of the actuarial valuation, from the police and fire unions, The Tribunal held a hearing that resulted in an August 2020 decision. The decision resulted in the following actions: 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 was required to conduct analysis to determine appropriate funding levels since Plan inception in 2013 and determine if a Canada Revenue Agency ("CRA") exemption was to be required; and e) actuarial valuation reports for 2013 to present were required to be prepared again by the new actuary and re-submitted to the Superintendent of Pensions.

Eckler Limited has been appointed as Plan Actuary effective March 2021. New actuarial valuations for 2013 to 2021 have been completed, submitted and approved by the Superintendent of Pensions. In relation to the new valuations, there are no changes recommended or required relating to contributions, funding levels or CRA exemptions.

19. Local Governance Reform

As a result of Local Governance Reform in the Province of New Brunswick, the City will be growing in area, population and service delivery effective January 1, 2023. Based on current decisions, there will be no transfer of assets and service delivery changes will transition over time. While the new areas will be paying taxes to the City of Fredericton for all services with the exception of road maintenance, many services will continue to be provided by the Province of New Brunswick and/or third party for which the City will be billed.

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

20. Consolidated schedule of segment disclosure

	Government & Civic Engagement	General Government Services - Corporate	Sustainable Infrastructure	Public Safety	Mobility	Environmental Stewardship	Economic Vitality	Livable Community	Water and Wastewater	2022 Consolidated	2021 Consolidated
Revenue											
Property tax/Community Funding and Equalization Grant	\$ 5,455,194	\$ -	\$ 2,275,740	\$ 42,776,867	\$ 34,347,881	\$ 6,186,285	\$ 9,129,755	\$ 20,680,901	\$ -	\$ 120,864,623	\$ 113,127,285
Services to other governments	-	1,507,375	-	1,956,005	418,641	-	-	-	-	3,882,021	3,751,796
Sales and other fees	-	385,154	-	2,417,598	4,312,577	-	541,916	2,775,522	19,951,275	30,428,042	29,047,882
Interest and return on investments	-	1,565,580	-	-	-	-	-	-	243,491	1,809,071	1,110,810
Government transfers	-	1,647,869	1,647,869	152,273	1,225,300	3,129	-	401,450	2,442,308	5,872,329	11,592,391
Other	-	1,198	-	-	1,151,243	1,475,448	-	7,500	2,150,514	4,805,004	2,150,216
	\$ 5,455,194	\$ 3,463,308	\$ 3,923,609	\$ 47,304,743	\$ 41,465,642	\$ 7,664,862	\$ 9,671,671	\$ 23,863,373	\$ 24,837,688	\$ 167,652,090	\$ 160,780,380
Expenses											
Salaries and benefits	\$ 2,650,175	\$ 15,801,122	\$ 1,008,859	\$ 30,660,198	\$ 10,445,846	\$ 703,673	\$ 2,296,373	\$ 5,040,415	\$ 5,644,123	\$ 74,260,784	\$ 73,882,323
Goods and services	706,547	18,450,583	91,164	505,839	5,908,209	4,135,925	2,801,528	3,004,166	5,966,376	41,570,337	38,911,034
Amortization	128,974	-	84,552	1,954,533	9,909,181	543,487	1,661,193	4,173,110	5,393,995	23,949,025	23,474,802
Interest	-	-	-	157,907	226,366	-	202,907	464,605	-	1,051,785	1,063,009
Other loss on assets	-	-	-	-	232,925	-	1,574	3,409	75,104	315,078	2,955,363
Subtotal expenses	\$ 3,485,696	\$ 34,251,705	\$ 1,184,575	\$ 33,280,483	\$ 26,722,627	\$ 5,483,085	\$ 6,963,575	\$ 12,685,705	\$ 17,079,598	\$ 141,136,949	\$ 140,256,531
Allocation of Corporate overhead	1,949,814	(32,889,168)	638,836	11,909,385	7,952,290	522,557	1,465,423	8,450,863	-	-	-
Total expenses	\$ 5,435,510	\$ 1,962,537	\$ 1,823,411	\$ 45,189,868	\$ 34,674,917	\$ 6,005,642	\$ 8,428,998	\$ 21,136,568	\$ 17,079,598	\$ 141,136,949	\$ 140,256,531
Annual surplus	\$ 19,684	\$ 2,100,771	\$ 2,100,198	\$ 2,114,875	\$ 6,790,825	\$ 1,659,220	\$ 1,242,673	\$ 2,728,805	\$ 7,758,090	\$ 26,515,141	\$ 20,523,849

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

21. Schedule of tangible capital assets

	Land	Land improvements	Buildings	Vehicles	Machinery and equipment	Treatment facilities	Linear assets	Assets under construction	2022 Total	2021 Total
Cost										
Balance, beginning of year	\$ 20,927,296	\$ 27,004,464	\$ 157,989,278	\$ 33,615,470	\$ 31,806,837	\$ 77,625,245	\$ 604,154,318	\$ 8,348,838	\$ 961,471,746	\$ 937,716,235
Net additions during the year	1,066,048	(2,282,336)	2,740,378	3,555,995	2,128,631	1,459,774	29,604,572	(1,729,507)	36,543,555	47,642,524
Disposals during the year	(214,298)	(119,103)	(169,121)	(1,354,332)	(788,121)	(989,791)	(5,650,591)	-	(9,286,357)	(23,887,013)
Balance, end of year	\$ 21,779,046	\$ 24,603,025	\$ 160,560,535	\$ 35,817,133	\$ 33,146,347	\$ 78,095,228	\$ 628,108,299	\$ 6,619,331	\$ 988,728,944	\$ 961,471,746
Accumulated amortization										
Balance, beginning of year	\$ -	\$ 10,120,712	\$ 65,271,629	\$ 17,377,267	\$ 15,609,620	\$ 35,957,033	\$ 201,331,650	\$ -	\$ 345,667,911	\$ 338,817,345
Amortization during the year	-	630,541	4,964,222	2,225,809	2,491,101	2,142,394	11,494,958	-	23,949,025	23,474,802
Accumulated amortization on disposals	-	(101,361)	(125,015)	(1,216,362)	(540,221)	(970,188)	(4,015,390)	-	(6,968,537)	(16,624,236)
Balance, end of year	\$ -	\$ 10,649,892	\$ 70,110,836	\$ 18,386,714	\$ 17,560,500	\$ 37,129,239	\$ 208,811,218	\$ -	\$ 362,648,399	\$ 345,667,911
Net book value of tangible capital assets	\$ 21,779,046	\$ 13,953,133	\$ 90,449,699	\$ 17,430,419	\$ 15,585,847	\$ 40,965,989	\$ 419,297,081	\$ 6,619,331	\$ 626,080,545	\$ 615,803,835
Consists of:										
General Fund Assets	\$ 20,405,778	\$ 13,953,133	\$ 90,449,699	\$ 15,842,953	\$ 14,181,504	\$ -	\$ 236,523,330	\$ 4,611,660	\$ 395,968,657	\$ 391,270,961
Water and Sewer Fund Assets	1,373,268	-	-	1,587,466	1,404,343	40,965,989	182,773,151	2,007,671	230,111,888	224,532,874
	\$ 21,779,046	\$ 13,953,133	\$ 90,449,699	\$ 17,430,419	\$ 15,585,847	\$ 40,965,989	\$ 419,297,081	\$ 6,619,331	\$ 626,080,545	\$ 615,803,835

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

	Historical cost	Accumulated amortization	Net book value
Machinery and equipment	402,611	120,783	281,828
Total assets under capital leases	\$ 402,611	\$ 120,783	\$ 281,828

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

22. 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
2022 annual surplus	\$ 1,237,343	\$ (902,944)	\$ 9,944,718	\$ 1,864,430	\$ 89,072	\$ 7,189,922	\$ 7,092,599	\$ 26,515,140
Adjustments to 2022 annual surplus for PNB compliance requirements								
Second previous year's surplus	\$ 2,783,002	\$ 1,718,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,501,132
Amortization expense	-	-	-	-	-	18,555,030	5,393,995	23,949,025
Accumulated amortization on asset disposal PSAB adjusting entries	(2,825,914)	-	-	-	-	(5,590,050)	(1,378,487)	(6,968,537)
Total adjustments to 2022 annual surplus	\$ (42,912)	\$ 1,718,130	\$ -	\$ -	\$ -	\$ 12,964,980	\$ 4,015,508	\$ 18,655,706
2022 annual surplus per PNB compliance requirements	\$ 1,194,431	\$ 815,186	\$ 9,944,718	\$ 1,864,430	\$ 89,072	\$ 20,154,902	\$ 11,108,107	\$ 45,170,846
Accumulated surplus per PNB compliance requirements, beginning of year	5,709,876	3,792,785	36,827,220	7,006,999	3,794,579	560,916,530	358,160,166	976,208,155
Second previous year's surplus	(2,783,002)	(1,718,130)	-	-	-	-	-	(4,501,132)
Accumulated surplus per PNB compliance requirements, end of year	\$ 4,121,305	\$ 2,889,841	\$ 46,771,938	\$ 8,871,429	\$ 3,883,651	\$ 581,071,432	\$ 369,268,273	\$ 1,016,877,869

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

23. Consolidated schedule of net operating loss – arena complexes

	2022	2021
Revenue [note 12]		
Ice rental	\$ 1,312,293	\$ 1,328,033
Canteen rental	8,142	6,177
Building rental	16,209	-
Community room rental	17,396	5,740
Other	5,563	8,582
YMCA lease agreement	28,000	28,000
Total arena complex revenue	1,387,603	1,376,532
Expenses [note 12]		
Salaries and wages	1,794,677	1,855,908
Supplies	129,573	68,099
Repairs and maintenance	300,978	261,945
Utilities	900,532	830,461
Service contracts	202,582	266,557
Other	36,501	36,501
Total arena complex expenses	3,364,843	3,319,471
Net operating loss	\$ (1,977,240)	\$ (1,942,939)

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 12]

	2022	2021
Opening balance, beginning of year	\$ 1,610,272	\$ 1,473,104
Contribution	125,140	125,140
Interest on balance	40,711	12,028
Closing balance, end of year	\$ 1,776,123	\$ 1,610,272

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 were \$2,133,420 [2021 – \$2,132,725]. The amount representing interest for the year was \$421,376 [2021 – \$451,494].

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

24. Statement of reserves

	General Operating Reserve	General Capital Reserve	Water & Sewer Reserve	2022 Total	2021 Total
Assets					
Cash	\$ 5,771,794	\$ 27,975,633	\$ 8,065,801	\$ 41,813,228	\$ 33,894,556
Net receivables	(10,879)	(139,961)	(98,445)	(249,285)	(376,797)
Investments	-	5,207,995	-	5,207,995	3,309,461
	(a)				
Accumulated surplus	\$ 5,760,915	\$ 33,043,667	\$ 7,967,356	\$ 46,771,938	\$ 36,827,220
Revenue					
Transfers from Operating Funds	\$ 502,915	\$ 10,244,248	\$ 3,110,232	\$ 13,857,395	\$ 10,431,020
Interest	124,416	504,500	128,049	756,965	277,355
	627,331	10,748,748	3,238,281	14,614,360	10,708,375
Expenditures					
Annual surplus	\$ 74,221	\$ 7,698,563	\$ 2,171,934	\$ 9,944,718	\$ (244,271)
Balance, beginning of the year	5,686,694	25,345,104	5,795,422	36,827,220	37,071,491
Balance, end of the year	\$ 5,760,915	\$ 33,043,667	\$ 7,967,356	\$ 46,771,938	\$ 36,827,220

(a) Included in the assets of the General Capital Reserve is \$3,436,634 for the Capital Replacement Reserve of the Fredericton Convention Centre.

(b) Transfers from Operating Funds to the General Capital Reserve include \$193,908 from the Fredericton Convention Centre for the Capital Replacement Reserve.

Name of Investment	Principal Amount	Interest Rate	Date of Maturity
Interfund debenture	\$ 1,401,223	2.10%-3.45%	May 16, 2028
Interfund debenture	\$ 651,716	1.65%-2.90%	December 1, 2026
Non-cashable GIC	\$ 538,443	1.50%	August 4, 2024
Non-cashable GIC	\$ 300,000	5.05%	November 15, 2023
Non-cashable GIC	\$ 2,000,000	1.81%	February 14, 2023
Canadian equities	\$ 316,613	N/A	N/A

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

24. Statement of reserves (continued)

Council resolutions regarding transfer to and from reserves:

Moved by: Councillor Jason LeJeune

Seconded by: Councillor Jocelyn Pike

THAT City Council adopt the following resolution:

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer to transfer the amount of \$553,110 to the General Operating Fund in order to fund projects completed in 2022 that were budgeted for in previous years from the General Operating Reserve Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*;

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer to transfer the amount of \$3,050,185 to the General Operating Fund in order to fund projects completed in 2022 that were budgeted for in previous years from the General Capital Reserve Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*;

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer to transfer the amount of \$1,066,347 to the Water & Sewer Operating Fund in order to fund projects completed in 2022 that were budgeted for in previous years from the Water & Sewer Capital Reserve Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*;

BE IT RESOLVED that The Council of the City of Fredericton authorizes the City Treasurer to transfer the amount of \$502,915 to the General Operating Reserve Fund in order to complete projects budgeted in 2022 in future years from the General Operating Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*;

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer to transfer the amount of \$10,050,340 to the General Capital Reserve Fund in order to complete projects budgeted in 2022 in future years from the General Operating Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*;

BE IT RESOLVED that the Council of the City of Fredericton authorizes the City Treasurer to transfer the amount of \$3,110,232 to the Water & Sewer Capital Reserve Fund budgeted for in 2022 in future years from the Water & Sewer Operating Fund pursuant to Section 101 under Part 9 of the *Local Governance Act*.

I hereby certify that the above are true and exact copies of resolutions adopted by City Council on December 13, 2022.



Jennifer Lawson
City Clerk
City of Fredericton

April 7, 2023
Date



CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

25. Statement of controlled entities

	Controlled entities consolidated with the General Operating Fund					2021 Total
	e-Novations Inc.	ComNet Inc.	Newmarket Properties Inc.	Fredericton Convention Centre	Intercompany Eliminations	
Assets	\$ 2,122,783	\$	1,290,628	\$ 824,212	\$ (1,657,347)	\$ 2,580,276
Liabilities	(879,290)		(45,417)	(353,757)	(758)	(1,279,222)
Accumulated surplus	1,243,493		1,245,211	470,455	(1,658,105)	1,301,054
Revenue	\$ 181,888	\$	335,079	\$ 3,032,536	\$ (1,101,822)	\$ 2,447,681
Expenditures	(149,396)		(280,873)	(2,817,083)	1,185,451	(2,061,701)
Annual surplus – Per PNB compliance requirements	\$ 32,492	\$	54,406	\$ 215,453	\$ 83,629	\$ 385,980
						\$ 526,917

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 includes eliminating adjustments for depreciation and capital expenditures, and the second previous year's surplus as 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, 2022

26. Reconciliation of operating budget for provincial compliance requirements to public sector accounting standards.["PSAB"]

	Operating Budget General	Operating Budget Water & Sewer	Amortization TCA	Adjustments for Full Accrual Accounting	Total Budget to PSAB Budget
Revenue					
Property taxes	\$ 118,873,040	\$ -	\$ -	\$ -	\$ 118,873,040
Community Funding and Equalization Grant	1,967,081	-	-	-	1,967,081
Federal grant in lieu of taxes adjustment	14,504	-	-	-	14,504
Services to other governments	3,835,093	-	-	-	3,835,093
Licenses, permits and fines	1,934,500	-	-	-	1,934,500
Sales and own source revenue	5,414,844	21,464,802	-	-	26,879,646
Interest and return on investments	280,000	-	-	-	280,000
Second previous year's surplus	2,783,002	1,718,130	-	(4,501,132) (a)	-
	\$ 135,102,064	\$ 23,182,932	\$ -	\$ (4,501,132)	\$ 153,783,864
Expenses					
Governance and Civic Engagement	\$ 5,365,533	\$ -	\$ 128,974	\$ -	\$ 5,494,507
Sustainable Infrastructure	2,173,986	-	84,552	-	2,258,538
General Government Services - Corporate	1,645,645	-	-	-	1,645,645
Public Safety <i>[note 18]</i>	45,349,102	-	1,954,533	185,401 (b)	47,489,036
Mobility <i>[including Transit]</i>	22,531,832	-	9,909,181	265,780 (b)	32,706,793
Environmental Stewardship	5,270,925	-	643,487	-	5,914,412
Economic Vitality	7,604,783	-	1,661,193	238,237 (b)	9,504,213
Liveable Community	17,279,215	-	4,173,110	545,501 (b)	21,997,826
Fiscal Services					
Principal payments on long-term debt	4,427,210	-	-	(4,427,210) (c)	-
Interest payments on long-term debt	1,234,918	-	-	(1,234,918) (b)	-
Funding current year's capital projects	22,218,915	11,464,193	-	(33,683,108) (d)	-
Water and Wastewater	-	11,718,739	5,393,995	-	17,112,734
	\$ 135,102,064	\$ 23,182,932	\$ 23,949,025	\$ (38,110,317)	\$ 144,123,704
Annual surplus	\$ -	\$ -	\$ (23,949,025)	\$ 33,609,185	\$ 9,660,160

(a) Eliminate second previous year's surplus (deficit) for PSAB

(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, 2022

27. Detailed statement of revenue and expenditure

General Operating Fund – Consolidated

	2022		2021
	Budget	Actual	Actual
Revenue from operations			
Province of New Brunswick			
Property taxes	\$ 118,873,040	\$ 118,873,040	\$ 111,089,470
Community funding and equalization grant	1,967,081	1,967,081	2,026,188
	120,840,121	120,840,121	113,115,658
Federal payment in lieu of taxes	14,504	14,504	11,627
Services provided to other governments			
Transportation services – provincial routes	415,835	418,641	415,835
Public Safety Emergency Dispatch and 911	1,470,021	1,507,375	1,372,812
Fire services – local service districts	935,384	935,384	971,084
Fire services – provincial hazmat	100,633	107,414	100,633
Services to Saint Mary's First Nation			
Fire services – Federal transfer	297,455	297,455	292,148
Police services – Federal transfer	320,198	320,198	311,628
Police services – Provincial transfer	295,567	295,554	287,656
	3,835,093	3,882,021	3,751,796
Licenses, permits and fines			
Taxi, business and dog licenses	26,500	16,902	16,664
Building permits	1,347,000	2,250,706	1,854,067
Development approval	78,000	82,575	120,275
Parking, municipal bylaw and other fines	406,000	350,335	436,125
Police security checks, fine sharing and false alarms	77,000	121,112	97,115
	1,934,500	2,821,630	2,524,246
Sales and other revenue			
Parking meters	430,000	575,611	516,999
Parking lots and garages	1,220,160	1,179,795	1,123,938
Public transit	1,547,100	2,186,695	1,509,790
Para transit	22,000	26,284	25,829
Arena rentals	1,122,096	1,387,468	1,376,532
Outside user fee	626,484	680,167	614,271
Community centres	122,283	266,694	126,028
Indoor pool	211,238	253,282	165,865
Sports fields	95,933	178,653	156,891
Cultural development	6,800	52,198	3,557
Police sale of unclaimed goods	2,000	15,263	1,951
Cash flow and investment management	280,000	867,085	338,413
Miscellaneous	8,750	249,346	400,931
Vehicle auction proceeds	-	41,902	83,168
Hotel accommodation levy	-	412,901	306,084
	5,694,844	8,373,344	6,750,247
Total revenue from operations	\$ 132,319,062	\$ 135,931,620	\$ 126,153,574

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

General Operating Fund – Consolidated (continued)

	2022		2021
	Budget	Actual	Actual
Revenue (continued):			
Government transfers	\$ -	\$ 3,430,020	\$ 6,097,734
Insurance proceeds	-	-	588,942
Third party contributions	-	1,269,942	1,135,206
Sale of assets	-	-	2,922,383
	-	1,269,942	4,646,531
Transfer from General Capital Reserve	-	3,050,185	3,708,053
Transfer from Operating Reserve	-	553,110	2,969,866
Total transfers from reserves	-	3,603,295	6,677,919
Revenue from contingency	-	-	1,627,115
Second previous years' surplus	2,783,002	2,783,002	-
Total revenue	\$ 135,102,064	\$ 147,017,879	\$ 145,202,873

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

General Operating Fund – Consolidated (continued)

	2022		2021
	Budget	Actual	Actual
Expenditure from operations			
Governance and Civic Engagement			
Community Leadership	\$ 2,634,661	\$ 2,801,860	\$ 3,320,376
Management Systems	2,647,950	2,426,516	2,538,252
Intergovernmental Affairs	82,922	78,160	67,163
	<u>5,365,533</u>	<u>5,306,536</u>	<u>5,925,791</u>
Economic Vitality			
Business Attraction and Retention	907,255	876,106	869,796
Development Approval	1,252,353	1,140,481	1,141,156
Land Use Planning	1,155,005	764,624	576,282
Tourism Development and Operations	1,300,471	1,168,222	1,162,047
Tourism Marketing and Sales	2,989,699	3,049,045	3,134,985
	<u>7,604,783</u>	<u>6,998,478</u>	<u>6,884,266</u>
Environmental Stewardship			
Composting	58,953	91,931	(2,233)
Environmental Strategy	369,518	322,137	386,829
Solid Waste Management	3,504,967	3,541,618	3,341,205
Storm Water Management	1,337,487	1,406,469	1,160,721
	<u>5,270,925</u>	<u>5,362,155</u>	<u>4,886,522</u>
Livable Community			
Arboriculture	1,422,349	1,538,577	1,439,760
Community Inclusion	379,064	296,202	242,961
Community Special Event Coordination and Support	464,724	487,714	588,987
Cultural Development	2,524,311	2,475,137	2,456,274
Heritage Planning and Conservation	156,009	130,762	185,343
Horticulture	809,970	896,691	825,206
Leisure and Recreation Development and Delivery	3,915,953	3,040,812	2,961,665
Parks and Playground Management	2,219,767	2,329,276	3,032,789
Recreation Facility Scheduling	4,563,540	4,622,870	4,840,663
Sport Field Management	823,528	777,270	760,501
	<u>17,279,215</u>	<u>16,595,311</u>	<u>17,334,149</u>
Mobility (including Transit)			
Para Transit	661,199	672,099	621,647
Fixed Route Scheduled Transit	6,047,439	6,685,309	6,008,632
Parking Management	1,975,740	1,889,532	2,241,460
Roadway Management	9,173,464	11,357,427	9,381,831
Sidewalk Management	1,848,457	1,425,644	1,196,248
Taxi Industry Regulation	88,398	81,744	76,257
Trails Management	1,007,178	1,003,689	854,806
Transportation System Management	1,729,957	1,210,686	1,244,144
	<u>\$ 22,531,832</u>	<u>\$ 24,326,130</u>	<u>\$ 21,625,025</u>

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

General Operating Fund – Consolidated (continued)

	2022		2021
	Budget	Actual	Actual
Expenditure from operations (Continued)			
Public Safety			
Animal Registration and Control	\$ 147,447	\$ 134,100	\$ 132,264
Building Construction Permission and Enforcement	1,349,519	1,359,733	1,238,969
Bylaw Enforcement	428,448	422,519	368,009
Emergency Preparedness	2,628,251	2,723,266	2,689,397
Fire Emergency Incident Mitigation	14,364,454	14,556,527	14,077,840
Fire Investigation	289,445	311,603	269,520
Fire Prevention and Inspection	775,636	799,987	683,070
Police - Enforce Federal, Provincial and Municipal Laws	4,605,943	4,797,006	4,741,478
Police - Keeping the Peace	4,321,794	4,466,123	4,424,527
Police - Prevent and Detect Crime	8,677,165	8,977,295	8,751,527
Police - Protect Life and Property	7,761,000	8,054,167	7,787,137
	45,349,102	46,602,326	45,163,738
Corporate Services			
Communications Management	950,358	826,599	857,980
Continuous Improvement	644,998	641,177	623,418
Facilities Management	9,170,428	9,312,064	8,539,243
Financial Management	1,764,081	1,614,571	3,672,440
Fleet and Equipment Management	4,626,078	4,930,737	4,276,551
Human Resource Management	1,167,689	1,138,668	828,054
Information Technology Solution Delivery	923,020	1,047,488	1,210,610
Information Technology Support	1,999,277	2,488,588	2,056,269
Insurance Coverage Service	383,672	396,763	294,292
Legal Services	696,008	661,505	617,336
Occupational Health and Safety	170,851	163,331	161,718
Public Procurement Management	389,321	365,488	357,703
Public Safety Service Request Management	2,694,393	2,587,268	2,655,199
Real Estate Management	1,867,233	1,901,840	1,934,623
Records Management	259,210	315,359	171,940
Request Management	352,211	328,756	250,125
Corporate overhead allocated to external services	(28,058,825)	(28,720,202)	(28,507,501)
Property assessment and collection [PNB]	1,645,642	1,645,642	1,506,840
	\$ 1,645,645	\$ 1,645,642	\$ 1,506,840

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

General Operating Fund - Consolidated (Continued)

	2022		2021
	Budget	Actual	Actual
Expenditure from operations (Continued)			
Sustainable Infrastructure			
Capital Asset Management	\$ 82,155	\$ 74,586	\$ 66,979
Capital Planning and Implementation	697,034	779,551	706,216
Capital Prioritization and Investment Service	1,362,400	853,334	865,804
Debt and Affordability Management Service	32,397	31,389	27,009
Debt principal repayment	4,427,210	4,313,233	4,012,343
Interest on capital debt	1,234,918	1,051,785	1,063,008
Funding current year's new capital projects	5,999,365	7,581,017	5,954,636
Funding current year's capital renewal projects	16,219,550	13,952,768	17,468,908
	30,055,029	28,637,663	30,164,903
Second previous years' deficit	-	-	840,030
Transfer to General Capital Reserve	-	10,244,248	6,570,420
Transfer to General Operating Reserve	-	502,915	2,233,600
Total transfer to reserves	-	10,747,163	8,804,020
Total expenditure from operations	\$ 135,102,064	\$ 146,221,404	\$ 143,135,284
General Operating Fund surplus from operations	\$ -	\$ 796,475	\$ 2,067,589
Remeasurement gains and losses			
Unrealized gain (loss) attributable to foreign exchange	\$ -	\$ 199,250	\$ (10,577)
Unrealized (loss) gain on investments	-	(187,274)	342,938
Unrealized surplus from subsidiary entities	-	385,980	526,917
Total remeasurement gains	\$ -	\$ 397,956	\$ 859,278
Consolidated General Fund annual surplus	\$ -	\$ 1,194,431	\$ 2,926,867

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

Water and Sewerage Operating Fund – Consolidated Statement of Revenue and Expenditure

	2022		2021
	Budget	Actual	Actual
Revenue			
Water and sewerage rates	\$ 20,283,160	\$ 19,946,192	\$ 19,347,205
Water supply for fire protection	1,000,612	1,000,612	1,000,612
Miscellaneous revenue	181,030	209,374	210,292
Interest	-	115,442	43,974
Transfer from utility reserve	-	1,066,347	4,274,727
Land sales and vehicle auction proceeds	-	-	83,921
Third-party contributed capital	-	-	223,490
Federal and Provincial grant funding	-	2,442,308	5,494,657
Second previous years' surplus	1,718,130	1,718,130	1,432,615
Total revenue	\$ 23,182,932	\$ 26,498,405	\$ 32,111,493
Expenditure			
Water			
Purification and treatment	\$ 364,300	\$ 659,234	\$ 666,108
Source of supply	290,000	289,267	259,902
Transmission and distribution	63,839	84,211	58,062
Plant and equipment maintenance	492,642	713,383	948,100
Billing and collecting	106,770	167,058	139,266
Water meters	65,000	347,692	358,418
	1,382,551	2,260,845	2,429,856
Sewerage			
Lift stations and system maintenance	607,650	871,866	915,041
Sewerage treatment and disposal	2,332,048	2,353,749	2,937,937
	2,939,698	3,225,615	3,852,978
Common services			
	7,396,490	6,124,036	5,962,824
Fiscal services			
Funding current year's new capital projects	2,945,545	498,442	799,468
Funding current year's renewal capital projects	8,518,648	10,464,049	15,364,709
Transfer to water and sewer capital reserve	-	3,110,232	1,627,000
	11,464,193	14,072,723	17,791,177
Total expenditure	\$ 23,182,932	\$ 25,683,219	\$ 30,036,835
Annual surplus	\$ -	\$ 815,186	\$ 2,074,658

CITY OF FREDERICTON

Notes to Consolidated Financial Statements

Year ended December 31, 2022

28. Comparative figures

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