

Jan 31, 2024

Budget concerns emailed to Council members and Staff

**Subject:** Non-recoverable HST Budget Shortfall \$400K

Tracy and Adam,

I have discussed this topic with Adam in concept but had no data at the time.

As staff and I hope Council members are aware, the Town does not recover all of the HST paid on taxable goods and services. There is a formula used to calculate the non-recoverable portion and it varies with the mix of transactions. I have used 1.75% at this time. I have seen examples of the NRHST as high as 1.79%.

The issue is that capital expensed and taxable operations expenses are recorded in the budget at the cost amount not including the NRHST. Some presentations at Council (mostly by Public Works) have made note of the NRHST but not included it in the item's cost. The NRHST is money paid out by the Town and has to be funded. It is not a component in the levy and therefore contributes to the Town's chronic budget overspend which has been as high as 11% in past years.

Using 2022 data and 2024 budget data, I have made an estimate of the non-recoverable HST shortfall in the budget.

The 2024 capital budget total is \$10,720,488. The NRHST at 1.75% is \$187,608. The NRHST from OPS budget transactions is more difficult to calculate due to the lack of appropriate data. I have estimated this shortfall using data from 2022 and 2024. I estimate 2024 Ops budget materials and contracts at \$18,726,149, which at 1.75% yields a NRHST of \$211,464. The combined total non-recoverable HST shortfall estimate is \$399,072.....say \$399K+/-

I strongly suggest that for the 2024 budget, a NRHST line item be added in the long-term debt section of the OPS budget. The NRHST shortfall is an estimate and likely on the high side, therefore I suggest \$350K be added to the budget for NRHST. During 2024, as taxable transactions occur, they should be recorded at cost plus NRHST in the appropriate department accounts.

For next year's budget, all taxable transactions should be recorded in the budget at cost PLUS the NRHST.

This will result in a more accurate presentation of the Town's spending needs and hopefully reduce the budget overspend, thereby improving residents' confidence in the budget process.

*Bryan*

**Subject:** Transit 2024 Budget

Dir Wills,

Regarding the 2024 Transit Budget:

Performance Data:

The 2022 data shows a ridership estimate of 55K. It is now a year later. Why hasn't the estimate been updated to actual?

There is no ridership estimate for 2024. Why?

Surely this data was needed to calculate the 2024 transit revenue.

It is now a month after the 2023 year end. If the ridership data is available, please provide it. If not, please explain why it is not available.

2024 Budget Revenue:

Fares \$100K:

How was this determined? It seems to be an overly optimistic estimate.

What are the assumptions, estimates, metrics and calculations involved?

Passes \$50K:

How was this determined?

What are the assumptions, estimates, metrics and calculations involved?

The \$50K estimate does not seem consistent with the 2022 and 2023 YTD data.

Transfer to Vehicle reserve:

The 2023 budget shows a \$285K transfer to the Vehicle Reserve. The 2023 YTD shows \$0

Was the transfer made? When? Why is it not recorded?

If not, why not?

2024 Payroll Budget \$117,680:

This is an increase of \$23,057, over 24% higher than the 2023 budget. Why?

The 2023 YTD shows less than \$80K, making the 2024 payroll budget \$37,680 higher, 47% higher. Why?

Provincial subsidy:

The 2023 budget provides for a \$215K provincial subsidy. The 2023 YTD shows \$0

Has the subsidy been received? If yes, why has it not been posted to the accounts?

If not, why not?

How can Council make informed decisions when so much important data is missing?

I look forward to your prompt reply

*Bryan*

**Subject:** 2024 budget Points Needing Attention

Council Members:

The following is a summary (not all inclusive) of various 2024 budget points that require your attention. These have been discussed previously with Adam G. and, as he is a recent hire, are inherited items.

Non-recoverable HST 1.75% should be included in the cost of all taxable items: capital and OPS budget. Estimated shortfall \$400K. See separate email for a fuller discussion

Customer service: \$50K CRM software annual subscription seems very expensive. What others considered: Goldmine, Salesforce.com?

Total cost of customer service function upwards of \$175K: salary, benefits, training, LT, "VH lobby desk", CRM software, server in first year, 125-140K per year ongoing

Missing usage stats: marina, campground, transit

Campground reserve \$75K, \$115K to reduce levy. Should all go to reserve to pay for water, sewer, electrical upgrades estimated to cost upwards of \$1M

Why are the \$1M campground repairs/upgrades not in the CAP budget

SWM fee (tax) 2023 YTD \$0. Expect \$500K-\$750K to have been collected by Dec 7 (budget "as at" date).

- Why is it not shown in the 2023 YTD?
- Have residents not paid the billed SWM fee?
- Have residents paid but the money not forwarded to the Town by LUSI?
- Have the SWM payments been received by the Town and not recorded as at Dec 7?

Allocate debt service to the responsible dept. EG CCC mortgage about \$275K should be shown in CCC OPS expense

New items/projects in both the Cap and OPS budgets should be prioritized by staff.

Staff report on new hires priority is very fluffy. Not a good basis for decision making

If a new asset is requested to replace an older one that has been transferred to a less demanding use, this should be indicated in the written commentary

Transit 2024 fares \$100K..... dreaming. How was this determined? See separate email on this topic

Ian Davey indicated to me on several occasions that Cobourg's budget is used solely to determine the tax levy (Adam G does not agree with this). It is not used for management purposes. Therefore, there is no real need to approve it by Jan 31. It should be deferred until mid/end of Feb to give Council members time to

read/understand the 1400 pages received by Council for the Jan 31 meeting and get answers to questions.