

Understanding Cobourg's Financial Challenges: A Simple Guide

Introduction: Why This Matters

When a town's financial problems become so severe that it forms a special citizen-led task force, every resident needs to pay attention. The creation of the Cobourg Community Led Budget Task Force was a necessary and extraordinary step to confront deep-seated fiscal issues that affect every household.

This guide breaks down the core challenges the Task Force was asked to solve. Their work began with a May 5th, 2025, report from the consulting firm Watsons & Associates, which laid bare the Town's financial condition. While the consultant's report identified several concerns—including the unsustainable use of certain reserve funds—the Task Force's work centered on three foundational structural problems. To understand their recommendations, we must first grasp the issues they were asked to fix.

1. The Core Problems: A Breakdown of the Key Issues

Three major structural problems, compounding each other over many years, form the foundation of Cobourg's financial difficulties.

1.1 The Asset Management Funding Gap: A Looming Repair Bill

This is the municipal equivalent of not saving enough for major home repairs. The "Asset Management Plan Funding Gap" is the difference between what the Town *should* be saving each year to maintain and replace its assets (roads, buildings, pipes, etc.) and what it *actually* puts aside.

The Town of Cobourg owns assets with a total replacement value of **\$508.1 million**. Here is the breakdown of the annual funding failure:

- **Average Annual Cost:** The estimated amount needed each year to maintain and replace these assets is **\$12.7 million**.
- **Average Annual Funding:** The amount the Town has actually been spending is only **\$5.4 million**.
- **The Annual Shortfall:** This leaves a funding gap of **\$7.3 million** every single year (updated from an initial estimate of \$7.42 million).

In household terms, this is like needing to save \$1,200 a year for a new roof, but only putting aside \$500. Every year, you fall further behind, guaranteeing that when the roof finally fails, it will be a financial crisis. This is precisely the situation the Town faces with its essential infrastructure.

1.2 The "Unfinanced Capital" Problem: A History of Unpaid Bills

"Unfinanced Capital" refers to major projects that past Town Councils approved to be paid for with long-term loans (debentures), but the loans were never actually taken out. Instead, the Town used cash from its bank account to pay for the work, creating a significant hole in its finances that must now be filled.

The true balance of this problem is **\$11.6 million**, updated from an initial estimate of \$14 million. This has been a part of Cobourg's financial fabric for at least 30 years. The Task Force identified this as a "faulty misguided practice" and was adamant that forcing current residents to fix it through tax increases or the sale of valued Town assets would be "unfair to today's taxpayer."

1.3 Dangerously Low Savings: The Town's Empty "Rainy Day" Fund

"Discretionary Reserves" are the Town's savings account or "rainy day" fund. This is money set aside for unexpected emergencies or to help pay for important future projects without having to suddenly raise taxes or take on debt.

A 2022 comparison showed Cobourg's reserves were alarmingly low compared to similar municipalities.

Municipality Type	Savings Per Household
Town of Cobourg	\$1,271
Average of Comparable Municipalities	\$4,055

This leaves Cobourg dangerously exposed. If a major winter storm damages the marina or a critical water main under King Street breaks, the Town would have to choose between an emergency tax hike or taking on expensive debt, because the savings account is nearly empty.

This lack of a 'rainy day' fund is made even more dangerous by the other two problems: the Town not only has a massive looming repair bill (7.3M/year) and a legacy of unpaid projects (11.6M), but it also has almost no savings to cushion the blow. These interconnected problems are not just numbers on a page; they have a direct and painful effect on every taxpayer in Cobourg.

2. The Impact on Residents: The Bottom Line

According to the Task Force report, the primary solution implemented during the current term of Council has been to raise property taxes while disregarding resident affordability. The recent history of local tax increases highlights the cumulative impact on residents' wallets:

- **2023:** 6.60% increase
- **2024:** 8.06% increase
- **2025:** 5.23% increase

Over just three years, this amounts to **a cumulative 19.89% increase**, which is nearly a 20% rise in the local portion of a resident's property tax bill. It's important to note that this figure doesn't even include new, additional charges like the 1% Infrastructure Levy and a Storm Water Management Fee.

Faced with these structural failures and a history of sharp tax increases, the Task Force was charged with finding a more sustainable path forward for the Town.

3. Conclusion: The Foundation for Change

The financial challenges facing Cobourg are serious, systemic, and have developed over decades. They stem from three interconnected problems that every resident needs to understand to engage in the conversations about our town's future.

For any resident following the budget discussions, these are the essential takeaways:

1. **A Major Funding Gap:** The Town is not saving nearly enough to maintain its existing assets, creating a massive \$7.3 million annual shortfall.
2. **A Legacy of Debt:** Past financial practices have left a multi-million dollar "unfinanced capital" hole that must be addressed.
3. **Insufficient Savings:** The Town's reserve funds are critically low compared to similar municipalities, leaving it vulnerable to unexpected costs.

Grasping these three long-term problems is no longer optional for an engaged resident. It is the necessary foundation for judging whether proposed solutions—from tax hikes to service changes—are responsible fixes or temporary patches.