

***Municipal Government
That
Works, Meets Local Needs and
Respects Taxpayers***

2014 Budget

A Submission By
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To
The Committee of the Whole
Town of Cobourg

February 26, 2014

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The Author

My wife and I moved to Cobourg in the summer of 2009 and we are pleased and honoured to call Cobourg home.

I am a retired 43 year career banker with one of Canada's major banks.

My career encompassed numerous branch positions and postings, divisional administration, credit administration, legislative and government affairs, loan portfolio analysis, risk management policy and the Canadian payments system.

From 1994 until my retirement, I held the position of Senior Manager and Policy Advisor, in which I was responsible for providing advice, counsel and briefings to senior executives and negotiating strategic policy initiatives with other financial institutions and, in certain cases, with government through the committee structures of the Canadian Bankers Association and the Canadian Payments Association.

Following my retirement, I acted as a consultant and expert witness to one of Canada's leading business law firms, conducted detailed research and analysis and provided expert opinion, advice and recommendations on wire transfers and anti-money laundering practices and legislation involving a major international case.

I currently serve as a Director and Treasurer for a small Condominium Corporation in town.

From March 2009 until November 2012, I served as a Director and Treasurer for a large Homeowners Association in Florida and on the Board of Managers for a real estate brokerage company that is a subsidiary of the Association.

In the mid 90s I served in a voluntary capacity as the Ontario spokesperson for the Canadian Taxpayers Federation, Canada's largest not-for-profit taxpayer advocacy group and since 2009 serve on its Board as a Director and as a member of its Executive Committee.

Invitation for Comment

On February 20, 2014 the Town of Cobourg issued a media release that the preliminary 2014 Operating & Capital Budget was available for public comment. It encouraged citizens to provide comment to Deputy Mayor Stan Frost by noon on February 26th.

The Release was brought to the attention of the general public on Monday, February 24th in a story published by Northumberland Today. This, in essence, gave interested residents less than two days to review the highlights summarized

in a short PowerPoint presentation and to submit meaningful comment and recommendations.

The full budget review is scheduled for February 27 at 1 p.m. with final approval by Council at its Regular Council Meeting on March 3, 2014.

In his February 19th letter, Deputy Mayor Stan Frost attempts to assure residents that “Council is mindful of its obligations to maintain the level and quality of our services and facilities while ensuring that Cobourg remains affordable to its citizens”.

Introduction

The number one common complaint of Cobourg residents is that our municipal taxes for Town and County services are far too high.

It is time that Council fully appreciate the serious level of concern that residents and businesses have with the level of taxation in Cobourg when it considers the 2014 Operating and Capital Budgets.

As a member of Council, your role is to represent the views of your constituents when it comes to determining the services the Town of Cobourg will provide and the wellbeing of our community. It is acknowledged that your constituents will have many diverse views and opinions and that it will be a challenge to find the right balance. Your decisions while they may not be popular with everyone must be based on the best interests of the municipality as a whole.

Consideration and final approval of the Town’s budget is the single most important role you have in carrying out your fiduciary responsibilities. This means representing your constituents by providing the municipal services and programs they *need* and not everything they or Town staff may *want*.

I wish you well in your deliberations and trust that my submission will provide some helpful input.

Demographics

(Source: Canada Census 2011; Statistics Canada)

- Population: 18,519.
- Private Dwellings: 8,541.
- In Cobourg, 69.4% of census families were married couples in 2011, while 13.1% were common-law-couples and 17.5% were lone-parent families.

- The median after-tax income of economic families in Cobourg in 2010 was \$63,888, the median for couple families was \$69,206 and for lone-parent families, \$41,790. For persons not in economic families (persons living alone or with non relatives only), the median after-tax income was \$29,141.

These compare to the medians in Ontario of \$71,128 for after-tax family income of all economic families, \$76,951 for couple families, \$44,398 for lone-parent families and \$27,319 for persons living alone or without relatives.

- Age Profile:

Under 24	30.0%
25-64	48.9%
65+	21.1%

In 2011, the median age in Cobourg was 49.6 years. In comparison, the median age of Ontario was 40.4 years.

2012 Financial Information Return

As background to the 2014 Budget, it would be helpful to first review some key highlights from Cobourg's 2012 (latest available) Financial Information Return filed with the provincial Ministry of Municipal Affairs.

Revenue

- Own purpose property taxation and payments in lieu of \$19,682,103 accounted for 47.4% - less than half – of total town revenues of \$41,511,975.
- User fees and service charges totaled \$11,051,879 or 26.6% of total revenues. \$7,476,623 related to Environmental services, largely waste water collection and treatment and water treatment. \$2,255,363 was derived from Recreational facilities.
- Licenses, permits, rents, etc. including the Industrial park rental income totaled \$5,130,892 or 12.4%.
- 1.7% of total revenue or \$697,805 was from various government grants.
- \$298,866 in revenue was from other municipalities.
- The balance was derived from:
 - Investment income - \$621,226
 - Deferred Revenue (development charges) - \$459,715
 - Donations - \$1,257,734

- Government Business Enterprise - \$600,000
- Parkland - \$3,403
- Equity Increase Town of Cobourg Holdings - \$714,221
- Miscellaneous - \$253, 373

Expenses and Year-end Surplus

- Total expenses were \$36,924,553 leaving a year-end surplus of \$4,587,423.

Municipal Workforce

- Salaries, wages and benefits totaled \$16,984,045
- Benefits account for 20.7% of employee costs.
- The Town employed a total of 295 employees.
 - 152 full-time, 72% of which were covered by collective agreements.
 - 69 part-time positions, all covered by collective agreements.
 - 74 seasonal employees, all covered by collective agreements.
- According to Schedule 80 of the filing, there were no municipal services provided by the Town through alternate service delivery arrangements.
- The largest number of full-time employees was in Police Services (43 or 28.3%), of which 28 are uniform and 15 civilian. In addition, Police Services had 12 part-time funded uniform positions.
- Public Works employed 24 or 15.8% of the Town's full-time employees and 9 seasonal employees.
- Parks and Recreation employed 23 full-time employees and 34 seasonal employees.
- Fire Services employed 17 full-time employees of which 13 were uniform and 4 civilian. In addition, there were 15 part-time uniform positions.
- Administration employed 17 full-time and 3 part-time employees.
- Eight full-time employees were classified under Planning.
- Two full-time employees and 11 part-time employees were in Court Services.

- Eighteen full-time, 28 part-time and 31 casual were classified under the “Other” category.

Total Municipal and School Board Property Taxes

Total property taxes paid by Cobourg residents and businesses amounted to \$38,582,209.

- \$19,328,892 or 50.1% related to Town of Cobourg expenses.
- \$10,660,772 or 27.6% in property taxes were related to Northumberland County expenses.
- \$8,592,545 or 22.3% was in Education property tax assessed by the province.

While Town Council can only be held responsible for managing the portion under its direct control, the Town through the Mayor does have a say in the portion related to County expenditures.

Council needs to be mindful that the same taxpayers are being asked to fund three levels of government through the property tax system.

2013 Public Sector Salary Disclosure

The most recent published report indicates that in 2012 (2013 Public Disclosure Report), 27 or 17.8% of the Town of Cobourg’s 152 full-time employees received salaries and taxable benefits of \$100,000 or more. All but four were employed by Police or Fire Services.

13 were uniform officers in Police Services. This represents 46.4% of full-time uniform officers in Police Services.

10 were uniform officers in Fire Services. This represents 76.9% of full-time uniform officers in Fire Services.

2014 Operating Budget

- The proposed Operating Budget of \$22,042,440 represents an increase of \$780,804 or 3.7%.
- The Operating Budget is reported as “Net Expenditures” (expenses less various non ad valorem revenues such as user fees), which masks the actual year-over-year increase in gross expenditures.
- Municipal taxes are increasing by \$656,704 or 3.3%.

- Direct Revenue (defined as supplementary taxes, penalty and interest on taxes, grants, interest income and surplus) is increasing by \$124,100 or 10.9%.
- The capital levy of \$577,700 accounts for only 2.6% of the total net expenditures.
- Other than a year-to-year comparison, the data provides no detailed breakout of gross or net expenses by Department, making it impossible to provide any specific detailed analysis or comment.
- The proposed Operating Budget data provides:
 - No explanation or justification for increases in expenditures. There is only very broad, general comment in the Deputy Mayor’s letter that the budget will provide sufficient operating funds for municipal services including the Cobourg Community Centre.
 - No information on savings, if any, that have been achieved from efficiencies in 2013.
 - No information on proposed changes, if any, to the Town’s budgeted workforce.
 - No information on one-time expenditures incurred in 2013 (i.e. special projects), which should result in 2014 savings.

2014 Capital Budget

Unlike the Operating Budget, while the Capital Budget does provide highlights on 16 projects proposed for 2014 it is short on any real detail.

Attention is drawn to the following projects in excess of \$100,000, which require close scrutiny by Council.

- Initiate the process of relocating Roads/Parks - \$4,000,000
- Marina expansion - \$403,200
- Parking Pay & Display Meters - \$150,000.
- Concert Hall repairs \$120,000
- Downtown Vitalization Physical Enhancements - \$109,000

Recommendations

There simply isn't sufficient time or available detailed information to provide comment on specific reductions Council should consider to the 2014 Operating Budget.

However, Council should adopt the following approach when reviewing the 2014 Operating Budget.

- At a minimum, target a zero percent increase in taxation without any sacrifice to core municipal services. This should easily be achievable.
- Think strategically in light of limited financial resources. Consider local demographics and other property tax burdens imposed on local residents and businesses by the County and provincial governments,
- The starting point when reviewing the 2014 budget should be square one. Not what was spent or budgeted last year.
- Complete a painstaking review of the programs and services the Town is offering and pare back to the core services that municipal governments should be responsible for.
- Scrap programs and services that have lost relevance or have nothing to do with the delivery of basic municipal services.
- Reduce and where possible eliminate all discretionary spending on items such as travel, conferences, receptions, meals and entertainment.
- Justify and prioritize the existence and importance of every service and program and the staff to support them. Eliminate lower priority expenditures in order to flat line expenditures to the 2013 approved Budget.
- Control salary and benefit costs. 17.8% of the Town's 2012 full-time workforce earned salaries and taxable benefits of \$100,000 or more. Benefits accounted for 20.7% of employee costs. This is simply unsustainable on an ongoing basis.
- At a minimum, freeze total employee numbers and reduce overall count through retirements and resignations. Cut the fat in the bureaucracy that has been allowed to grow year after year without question.
- Identify all services and programs that can be put out to competitive bid. There should be no sacred cows.

- Take a hard look at the Economic Development budget. Governments don't create jobs (other than government jobs) but they can create an environment that attracts private sector employers. Employers will choose those municipalities that offer the best quality services and the lowest municipal taxes (at the residential, commercial and industrial level). There is no sense chasing our tail and wasting money on economic development if taxes are too high and are not competitive.
- Take an equally hard look at the Tourism budget and justify if our local businesses are, in fact, receiving any value added benefit. Many will tell you that day visitors to the Town use the beach without spending a dime at their shops and restaurants.
- A common complaint echoed by many is that day visitors who use the beach are disrespectful of our greatest asset and leave behind their garbage and bury soiled diapers in the sand. On weekends many local residents avoid the beach because of crowding and side streets are jammed with visitors cars in an effort to avoid parking costs. It's time for Council to put an end to the non-residents who contribute nothing to our local economy by implementing, say, a \$25 non-resident, per car, per day entrance fee along the lines of what is done at Innisfil Beach Park Loop Trail. Cobourg residents would be issued passes at no charge. All revenue derived should be used to proportionately reduce the municipal levy.
- Defeat the \$150,000 proposal for "Pay and Display" parking meters in our historic downtown. Asking residents to pay \$2 an hour to shop and eat downtown will result in a dramatic decline in business. Locals and tourists will simply shop and eat out elsewhere. Drop the \$25,000 the Town is currently charging downtown businesses for King St. parking and breathe some life into the struggling businesses who are trying to make ends meet.
- If the Town is to expand the Marina, the costs should be funded through direct revenues and not through the municipal levy.
- The Community Centre Complex recovers 55.8% of its expenditures that were forecast last year to grow to \$1,792,940. Look at ways to reduce the gap through cost reduction and increased revenues.
- Concert Hall expenditures were forecast last year to grow to \$258,390 with offsetting revenues of only 49.7%. Use of the Concert Hall should be priced on a full cost recovery basis.
- As a former dog owner, I support the proposal for a new dog park. However, all costs should be offset through user fees and not through the municipal levy.

- Transit expenses were forecast to cost \$861,292 in 2014 with a recovery ratio of only 42.6%. A provincial subsidy (funded by taxpayers) of \$187,000 accounts for 51% of recoveries. On a cost recovery basis, fares, tickets, passes and bench advertising account for only 20.9% of total expenditures. Daily return ridership numbers need to be examined in relation to the total population base and there must be a strong, compelling rationale for continuing the service at current levels to be funded by local property taxes.
- \$4,000,000 to “initiate” the process of relocating Roads/Parks represents a very major expenditure. Ensure there is a strong cost/benefit analysis in place before any approval is granted. Examine the factors as to why any relocation is an absolute necessity.
- The \$109,000 proposal for physical enhancements to Downtown Revitalization should only be approved if the enhancements are to Town owned property. Enhancements to private property should be the responsibility of the building owner. The Town should not be in the business of funding grants or loans to private enterprise.
- Eliminate the use of consultants. If staff is not qualified to develop studies on particular issues, draw on the expertise of our community. There are many qualified retirees from diverse backgrounds who would be willing to volunteer their expertise.
- Learn to say no to special interests. It is not the responsibility of municipal taxpayers to be all things to all people.
- Do not rush the budget review process. A thorough and proper review by Council will require far more than the half day set aside at the Committee of the Whole meeting on February 27th.