

Time For Real Fiscal Discipline

Hitting The Brakes On Tax Increases

2015 Budget

Remarks By

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To

The Town of Cobourg Council

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Check Against Delivery

Good evening Mayor Brocanier, Deputy Mayor Henderson and Members of Council.

In order to avoid a recurrence of my running over time, I'd appreciate your Worship if you could drag out the hook about 30 seconds before my 10 minutes is up.

First of all, I wish to commend the Deputy Mayor for his commitment to openness and the positive step forward by providing the public with the line by line detail in the budget package posted online.

When considering all that Council is responsible for and does, review and approval of the Town's budget is the single most important role you have in carrying out your fiduciary responsibilities.

Finding that balance between what Cobourg citizens can afford and are prepared to pay for and the provision of core services required for the safety, comfort and well being of our community can only be achieved by managing costs responsibly.

It's easy to be an armchair critic, which is why it was important to me to put myself in your shoes when reviewing and analyzing the 2015 Operating and Capital Budgets.

When the preliminary budgets were posted to the Town's website late on April 16th, I began the following day to work through the 377 pages that were made available to the public.

Let me tell you that from start to when I finished my written submission to Council late on April 22nd, it was an exhausting six day, non-stop marathon.

I spent at least 40 to 50 hours in total just analyzing the data.

Quite frankly, by the end, I just wanted it to be over.

In the end, while I felt that I had a reasonably good grasp, I still felt that more time and more information was necessary to do the whole exercise justice.

And so I wondered just how each and everyone of you managed to complete your review prior to the April 23rd deliberations given all of the other business of Council that was going on, including preparation for the Committee of the Whole meeting of April 20th.

There were several things that became most evident during my review.

More information on Reserves, Long-Term Debt, Employee Costs and the Northam and Holdco financials and reserves was necessary.

The entire Budget process was predicated on the comparison between the proposed 2015 Budget and the 2014 Budget. 2014 Actuals were, for the most part, ignored.

This raises the question of whether the baseline, that is the starting point, should be the previous year's budget or actuals or a combination of the two. The answer is both.

For example, how many of you picked up on the fact when comparing the total of Net Operating Costs that the 2015 Budget was almost \$1 Million (999,383) or 4.89% higher than the 2014 Budget but \$1.3 Million (1,293,272) or 6.42% higher when compared to 2014 Actuals.

That's a difference of \$293,889.

And how many of you asked the question or thought about the fact that last year the difference between Budget and Actuals meant that we were overtaxed by \$293,889.

And how many of you were able to answer the question where has this amount gone?

We know that it didn't vanish into thin air.

Has it been applied to Reserves or somewhere else?

The Budget conveniently glosses over this fact.

As a general rule of thumb, proposed expenses (with the exception of employee costs) should be held to 2014 actuals.

Anything over should be fully justified.

Where 2014 actuals were higher than the Budget, how many of you stopped to ask the question why?

This makes a difference in whether the 2015 baseline in such instances should be the prior year's Budget or actuals.

The Budget document did not address why the overages occurred.

The 2015 Operating Budget attempts to blunt the overall increase in taxes by making a distinction between the impact on prior existing assessment vs. that of new assessment growth.

Putting aside for the moment the reductions approved at last Thursday's Committee of the Whole, no matter how one slices and dices it, the proposed 2015 Operating Budget called for an overall 4% tax increase based on a comparison to the 2014 Budget.

This compares to a 1.20% increase in the Canadian Consumer Price Index (CPI) - (March 2014 – March 2015),

If growth in expenditures and the resulting impact on the tax levy had been held to the rate of inflation, new assessment growth would have resulted in an overall tax *decrease* of 0.7%.

So much for the claim that we need new assessment growth to reduce taxes!

The 2015 Budget shows that it's simply being used as a cash cow to spend more rather than offset the rate of inflation.

Going through the line-by-line or what I observed was the page-by-page review of the Operating Budget, I don't recall anyone commenting that the net cost for operating the CCC will be \$815,811 in 2015, which is \$178,832 higher than was actually spent in 2014.

And nobody seemed to question that salaries, wages and benefits at the CCC in 2015 will account for an 18.3% increase over 2014 actuals.

And I don't recall anyone questioning why the actual Dredging Revenue in 2014 was short of the budget by \$122,910 or why the actual Net Costs of the Dredging operation were \$34,574 (that's a loss) and not break-even as the Budget suggested.

In 2015, revenue and expenses for the Dredger are both projected at \$50,000 each a sharp decline from the 2014 Budget of \$212,180.

No explanation was given and no questions were asked.

Nor do I recall any questions being asked or explanation given as to why the cost of dredging Cobourg's Harbour is not cross allocated to the Marina, as the Marina budget shows no related expense.

And in the case of the Tourist Park, how many of you noted or asked why 2015 revenues are expected to be \$14,594 lower than 2014 Actuals or why salaries, wages and benefits account for a 137.5% increase over 2014 Actuals?

Going through the Budget, how many of you asked the question about the Town's staffing levels?

Maybe the information was contained in the Budget pages that weren't released to the public.

And although 2014 data has not yet been published by the Ministry of Municipal Affairs, should Council, in particular the new members, not be questioning why during the years 2011, 2012 and 2013 the total number of employees grew by 61 from 268 to 329?

That's an increase of 9 full-time, 22 part-time and 30 seasonal workers.

The Sunshine Club, those who make in excess of \$100,000 a year in wages and taxable benefits has now hit a new high of 31.

That's 20% of the Town's full-time employees based on 2013 data.

All but four of Cobourg's members are either in Police or Fire Services.

When 85% of full-time uniform officers in Fire Services and 54% of uniform officers in Police Services are making in excess of \$100,000, how many of you have made the observation that this is simply unsustainable on an ongoing basis?

I don't know how many on Council are familiar with the Financial Information Return, which each municipality is required to file annually with the Ministry of Municipal Affairs.

How many of you are even aware that there is a substantial difference between the long-term debt numbers shown on page 11 of the 2015 Budget presentation and Schedule 74A of the Financial Information Return?

Using the 2013 numbers which is the latest Financial Information Return available, Schedule 74A shows a total of \$16.8 Million, whereas the presentation shows a number of \$10.1 Million, a difference of \$6.7 Million.

What is being presented as the long-term debt history should reflect the complete debt picture and not an abridged version that understates the true picture regardless of repayment source.

Contrary to what I have heard now on several occasions in the recent past by certain members of Council, debt financing does touch the tax base.

Who else pays the principal and interest costs?

And while it's true that some debt may be funded through user fees such as sewer rates or Development Charges, all of these are forms of taxation that simply go by another name.

Let's not kid ourselves.

Not only is debt financing deferred taxation, it's an intergenerational tax to be paid by future taxpayers.

It amounts to taxation without representation.

Political leadership must be anchored in sound financial leadership.

That means introducing a new culture of fiscal discipline and disclosure.

How many of you are familiar with the financial statements of Northam Industrial Park and the Town of Cobourg Holdings, Inc., otherwise known as Holdco?

While going through the Budget, how many of you noted references to funding for specific items coming from the Northam or Holdco Reserves?

It's time to peel back the onion so not only Cobourg's taxpayers but also all of Council are no longer kept in the dark about the inner workings, finances and Reserves of both Northam and Holdco.

One of the largest oversights that is common when reviewing budgets is the absence of examining the "guts" of the baseline costs.

Whether comparing the proposed budget to last year's budget or actual, what consistently gets overlooked by most Councils is the composition of the starting point costs.

Are we operating at maximum efficiency, can we do things differently including the competitive tendering of services and are we getting value for money?

All questions that should be asked but aren't.

For example, when reviewing the Economic Development Budget, I could find no performance metrics on the number of new businesses and jobs brought to Town as a direct result of the Department's work.

If I have sounded critical in my remarks tonight, it's because I believe Council doesn't have the time it requires to examine the Budget in the detail that is necessary to make an informed decision.

For some of you, this may be the first time you have ever been charged with approving a multi-million \$ budget.

And for many of you, you may not come from a work background that provides you with the training and financial experience to know what to look for and the questions to ask.

I appreciate that most of you probably have not read my 43 page submission in any detail because of its length and the limited time you have had available.

I don't expect any further meaningful changes will be made this evening to the 2015 Budget.

But I do urge all of Council to take the opportunity over the next year to

usher in a new culture of fiscal discipline and end the past history of overspending and overtaxing.

Thank you for the time tonight and for considering my written submission.

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