

# Cobourg Public Budget Meeting

Monday Jan 14, 2019, 6pm

## Good evening:

Council members, Staff, Media and Gallery

## My Purpose:

To provide some big picture background and context that may be helpful to Council members in their budget consideration process.

## Data Sources:

Cobourg 2017 Audited Financial Statements  
Cobourg 2017 Financial Information Report (FIR) to the Ministry of  
Municipal Affairs

The Town of Cobourg is BIG Business!!

\$50M BIG in 2017 as shown in the yellow highlighted area  
(Slide 1)

# Cobourg Audited FS 2017 Revenue

THE CORPORATION OF THE TOWN OF COBOURG  
Consolidated Statement of Operations and Accumulated Surplus  
Year ended December 31, 2017, with comparative information for 2016

	2017		2016
	Budget (note 14)	Actual	Actual
Revenue:			
Taxation			
Property taxation	22,477,198	22,209,551	21,497,720
Payments in lieu of taxation	59,500	172,897	187,741
User charges	14,542,823	16,506,925	15,517,951
Development charges	1,445,546	438,500	477,748
Contributed tangible capital assets			1,413,952
Grants:			
Government of Canada	776,500	158,401	256,467
Province of Ontario	1,693,849	1,577,327	990,228
Other municipalities	665,457	855,103	771,670
Other:			
Rental income	4,510,723	4,484,544	3,801,750
Penalty and interest	465,000	394,784	491,461
Other income	935,294	1,633,963	933,968
Donations		87,317	31,458
HOLDCO Interest (note 4(c))	507,500	507,500	507,500
Interest and dividend income	277,808	267,615	267,313
Gain on sale of assets		214,379	17,440
Net equity increase (decrease) in investment in HOLDCO (Note 4)		-110,420	432,975
<b>Total revenue</b>	<b>48,089,551</b>	<b>49,666,033</b>	<b>47,597,342</b>

The Property Tax Levy (PT) and User Charges are the two main money sources

The Property Tax Levy is the main focus of the budget process. However, it should not be considered solely on its own. It is not a silo. Other revenue streams affect the levy, both positively and negatively.

For example

(Slide 2) Development Charges

This is the 2017 Cobourg Development Charges Reserve as shown by the 2017 FIR Tab 61

# Cobourg Development Charges Reserve 2017

Cobourg FIR Tab 61 Development Charges

	Balance January 1	Development Charges Proceeds			Development Charges Disbursements			Balance December 31
		Development Charges Collected	Interest & Investment Income	Total	To Operations	To Capital Asset Acquisition	Total	
Development Charges	\$	\$	\$	\$	\$	\$	\$	\$
General Government . . . . .	-163,715	42,766		42,766		2,500	2,500	-123,449
Fire Protection . . . . .	544,190	27,615	5,386	33,001				577,191
Police Protection . . . . .	383,796	20,906	3,725	24,631				408,427
Roads and Structures . . . . .	4,928,867	407,706	47,629	455,335				5,384,202
Transit . . . . .	249,529	5,527	2,381	7,908				257,437
Wastewater . . . . .	2,482,060	43,009	23,882	66,891				2,548,951
Stormwater . . . . .								
Water . . . . .								
Parkland Development . . . . .	403,088	47,345	3,534	50,879			0	453,967
GO Transit . . . . .								
Library . . . . .	-77,632	50,085	241	50,326	64,800		64,800	-92,106
Recreation . . . . .	-1,578,219	180,178	1,369	181,547	276,000	120,000	396,000	-1,792,672
Development Studies . . . . .								
Parking . . . . .								
Animal Control . . . . .								
Municipal Cemeteries . . . . .								
<b>TOTAL</b>	<b>7,171,964</b>	<b>825,137</b>	<b>88,147</b>	<b>913,284</b>	<b>340,800</b>	<b>122,500</b>	<b>463,300</b>	<b>7,621,948</b>

Note the last line highlighted in yellow is the allocation to Parks & Rec. It shows that:

- it starts off \$1.6M overdrawn,
- added \$180K from new Development Charges, and
- spent \$276K on operations and \$120K on capital purchases
- ending the year \$1.8M overdrawn.

There is cause for concern here! How and when will this be corrected? Does it affect the Property Tax Levy?

(Slide 3) Reserves:

## Cobourg Reserves Per audited FS

Reserves:	2017	2016	2015	2014	2013
Contingencies	\$53,613	\$53,613	\$66,440	\$26,440	\$26,440
Parking	547,787	474,117	315,936	226,496	115,051
Current:					
Health services	4,207	4,207	4,207	4,207	4,207
Library	186,477	230,013	168,634	166,503	164,100
Other			11,290	11,290	11,290
Capital:					
General government	2,077,317	2,169,596	1,649,695	1,127,983	1,886,874
Protection services	2,626,628	1,955,889	1,659,829	1,448,625	1,141,901
Transportation services	684,391	1,031,497	906,485	832,353	645,617
Environmental services	3,236,159	2,653,808	1,550,139	1,577,950	1,612,407
Recreation and cultural ser	651,009	589,492	496,272	503,940	369,453
Planning and development	341,518	464,024	585,243	577,850	531,773
<b>Total reserves</b>	<b>\$10,409,106</b>	<b>\$9,626,256</b>	<b>\$7,414,170</b>	<b>\$6,503,637</b>	<b>\$6,509,113</b>

Note: The reserves do NOT include Development Charges or Gas Tax which are reported as Deferred Revenue

	2017	2016
Deferred Revenue Total	\$10,424,159	\$9,303,919

Specific reserves such as the marina and the police business service are not detailed separately. They are included in the main reserve accounts listed.

Reserves are significant funding sources that impact the budget and therefore the PT Levy. In the budget consideration process, there is mention of some reserves but no disclosure or discussion.

Why?

The budget process should include disclosure of ALL reserves. A continuity schedule would be idea, showing prior year opening balance, transactions and the closing balance.

In particular, the following reserves should be disclosed and discussed:

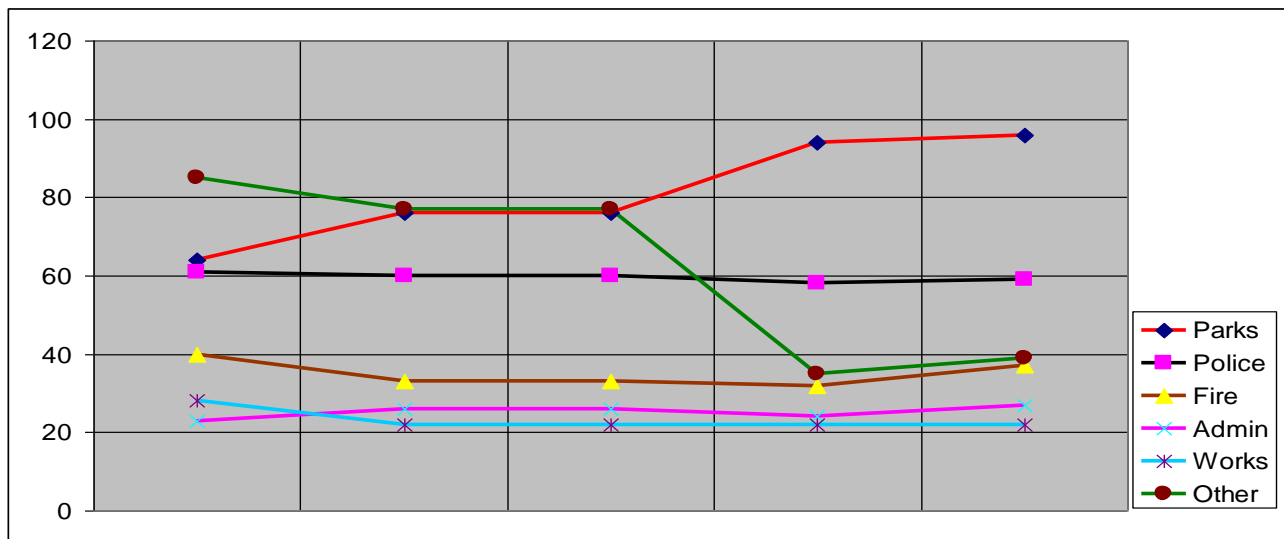
- HOLDCO
- Marina
- Campground
- Police services
- Northam
- Development Charges

### Staff Levels:

Periodically, staff levels have been a hot topic. In general, from 2013 to 2017, staff levels have been fairly flat. Decreasing from 329 in 2013 to a low in 2016 of 292, and then increasing in 2017 to 308. If the increase continues in 2018 then there is cause for concern.

(Slide 4)

## Cobourg Staff Changes 2013-2017



This slide shows that departmental staff levels have been fairly flat with the exception of Parks (increasing) and "Other" decreasing. I believe that this is due to staff migration due to corporate reorganization and that combined, Parks & "other" would net out and the result would be fairly flat.

It is my understanding that Council does receive some staffing information as part of the budget documentation. This info is not available to the public due to "privacy concerns". This seems odd as the staff data is available to the public in the FIR.

I think that staff headcount should be available to the public. I suggest that a better metric is FTE (Full Time Equivalent) rather than headcount (FT, PT, seasonal)

Annual Surplus:

In addition to Cobourg being a BIG business, it is also PROFITABLE.

(Slide 5):

## Cobourg Annual Surplus

Year	Surplus	
	\$	% Change
2010	19,390,651	
2011	6,753,125	-65.17%
2012	4,587,423	-32.07%
2013	5,301,364	15.56%
2014	2,686,876	-49.32%
2015	3,559,136	32.46%
2016	4,556,176	28.01%
2017	5,161,041	13.28%
2018		
2019		

As shown, Cobourg has had a surplus each of the past 8 years, 2010-2017. Imagine, \$19.4M in 2010. This was mostly due to \$17M in Federal and Provincial grants. In the past 3 years the size of the surplus has been increasing.

In the budget process, there has been no disclosure or discussion of the surplus.

What is the status?

Has it been "used"?

For what?

(Slide 6) Overspending:

## Budget Overspend Cobourg Audited FS

Year	Budget	\$ Actual	Overspend %
2010		34,437,294	
2011	35,363,470	35,483,251	0.34%
2012	36,810,420	36,924,552	0.31%
2013	39,110,569	38,799,247	-0.80%
2014	40,798,521	41,226,485	1.05%
2015	40,205,176	43,282,195	<b>7.65%</b>
2016	38,588,620	43,041,166	<b>11.54%</b>
2017	41,251,368	44,504,992	<b>7.89%</b>
2018			
2019			

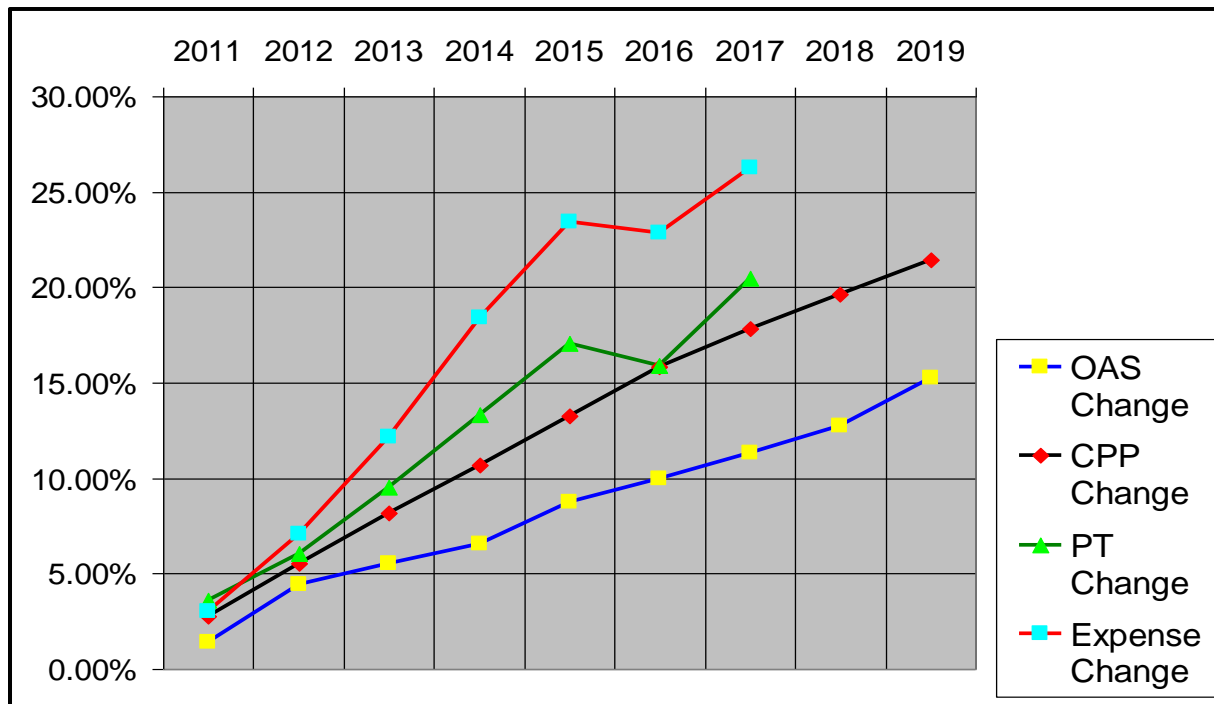
Analysis of Cobourg's audited financial statements indicates that in recent years 2015-2017 Cobourg has **overspent its budget**. A wee bit, 1% in 2014, is not a concern however 7.65% in 2015, 11.54% in 2016 and 7.89% in 2017 is **cause for serious concern**

The results for 2018 are currently unknown.

(Slide 7) Disturbing Trend:

Analysis of the audited financial statements and FIR show a disturbing trend.

## Cobourg Revenue and Expense Rate of Change



The trend lines (rate of increase) show that Cobourg's total expenses are increasing at a higher rate than the increase in the cost of living as represented by the increase in CPP and OAS.

Cobourg has a high senior population, many of whom are dependant on a pension(s) that have a periodic cost of living increase. I believe that for many working people, wage increases are about the same, (maybe a bit higher) than the CPP rate of increase.

This is worrisome because the expense and cost of living trend lines are diverging. At some point, ratepayer's ability to pay will be (has been?) exceeded.

Some municipalities such as North Bay have already past this critical point. Average family income has declined in North Bay and residents have "hit the wall" as far as property taxes are concerned.

A final thought:

For me, the presence of a surplus, budget overspending and the expense rate of increase trend strongly suggests the following:

Cobourg doesn't have a Revenue problem

It has a **SPENDING** problem

Thank you for your attention.

Bryan Lambert