



Cobourg Taxpayers Association

Making Local Government Accountable

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Choices

Alternatives to the Gutteridge Proposal

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Town of Cobourg
Special Committee of the Whole
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Councillors, Deputy Mayor, Mayor and those in the audience — thank you for this opportunity to address you. My name is Ken Strauss and I am a resident of Cobourg and am presenting tonight as a Director of the Cobourg Taxpayers Association.

After my delegation on September 23 a number of neighbours, friends and Councillors asked me to clarify some of my comments. Before I get to the crux of tonight's delegation I would like to clarify two points.

The first point is my usage of “stealth tax” to describe the transfers between LUI/Holdco and the Town of Cobourg. “Stealth tax” is two simple words whose meaning is difficult to confuse. The dictionary tells us that “stealth” is an adjective that means “hidden” or “intended not to attract attention”. A “tax” may be hard to define precisely but I think that we all understand that a tax is money collected from people or companies and used by governments to provide needed services. Money goes from LUI to the government of Cobourg so that is certainly a tax. The tax is not listed on your Hydro bill so it is obviously hidden. In fact I suspect that few Cobourg residents realize that since 2000, through their utility payments, roughly \$19M has been transferred from their pockets to Cobourg. This hidden or stealth transfer of about \$19M is over \$100 from each Cobourg family for every one of the last 19 years or a total of almost \$2,000 from each family.

The second point that I would like to clarify is confusion about the meaning of the OEB maximum allowed interest rate of 3.72%. Some have claimed that this is a **SPECIFIED** or a **REQUIRED** rate. There is no OEB specified or required or minimum rate for loans. When Lakefront applied for a rate increase in 2016 the often mentioned 3.72% was the **MAXIMUM** rate that the OEB allowed to be added to your electric bill to recover the interest on loans between two parts of the same organization such as between Lakefront Utilities and Cobourg. It may be of interest to you that the maximum rate, effective January of 2019, is now 4.13% rather than 3.72%.

Enough of explanations. Let's get to my points for this evening.

Under the staff recommended proposal the yearly interest paid to Cobourg by LUI/Holdco will decrease from \$507,500 to \$260,400 or a loss of \$247,100 each year. This means that property taxes must increase to make up this revenue loss or services will have to be cut. On Mr. Gutteridge's last slide he correctly notes that the reduced interest payments will not affect your Hydro bills. Cobourg gets \$250K less which must be replaced by higher property taxes and Hydro bills won't decrease! This is obviously a loss for Cobourg's taxpayers.

Mr. Gutteridge's request to Council says that the reason for changing the loan terms is to allow increased borrowing. He doesn't mention it but the increased borrowing would be fully

recoverable from LUI's customers and therefore will increase our Hydro rates. Higher rates are obviously a loss for Lakefront's customers.

You can summarize the proposal that staff has recommended as lose-lose. Higher property taxes and higher hydro rates. I doubt that this is what most Cobourg residents want!

When I was last here I proposed a debt-equity swap as an alternative to the lose-lose Gutteridge proposal. Although it would be better for LUI and better for Cobourg, LUI has reacted very negatively to my proposal. I would welcome a discussion of their objections.

What are the other possibilities?

The simplest action for this Council is to completely reject the lose-lose staff recommendation. The current arrangement has served Cobourg well for almost twenty years and Lakefront has not provided compelling reasons to change it now.

Last year we paid \$276,000 on the CCC mortgage. About \$3M is still owed on the CCC mortgage and under the current plan it will not be fully repaid until 2033.

According to a recent survey most Cobourg residents want to repair the East Pier. Pier repairs will require significant expenditures with estimated costs of up to \$3.8M to completely restore this aging Cobourg landmark.

There is a better choice than complete rejection of Holdco's request for change. Cobourg Council could request immediate repayment of the full \$7,000,000 "payable on demand" loan. This would give Cobourg the money to fully fund the repairs to the East Pier without a tax increase. We could also discharge the mortgage on the CCC. If the CCC mortgage payments were eliminated the savings would more than balance the loss of interest payments from LUI under the staff recommendation. The East Pier could be repaired. The CCC would be fully paid for. Services would not need to be cut. Taxes would not need to be raised.

I urge this Council to either completely reject staff's lose-lose recommendation and make no changes to the promissory note or to call the note and give Cobourg residents the money needed to fix the East Pier and eliminate the mortgage on the CCC without having to raise our taxes.

Thank you for your attention. Are there any questions?