

Text of Letter to Editor – Jan 4/17

Apparently, it's arrived at the point in North Bay where Mayor McDonald considers himself so aloof from citizens that he deigns it unnecessary to actually interact with them. The ink was barely dry on the NB Taxpayers' Association's challenge to debate the Mayor about his plan before a press release was issued indicating that the Mayor will not debate with an individual or association.

The Mayor's sudden aversion to debates is understandable. The NBTA has produced figures which prove that his plan will misuse millions of taxpayers' dollars over the next 20 years. The Mayor and senior staff have been given multiple opportunities to challenge our figures or produce figures of their own but have failed to do so. Instead, what we have heard from the Mayor is that the City is reducing taxpayer debt and reducing taxpayer borrowing. These statements are absolutely untrue and a further example of what passes for financial acuity in the current City administration.

In September, 2015, the Mayor indicated that he, former CAO Knox and current CFO Karpenko spent the last ten months and hundreds of hours formulating this plan which was to have the Hydro group of companies borrow approximately \$25 million to repay amounts owing to the City. From the beginning, this was a phony loan scheme put together and presented as a benefit to taxpayers.

To support his plan, the Mayor has hinted on various occasions that taxpayers are saving money because Hydro can borrow at a cheaper rate than being charged by the City. The statement is a perfect illustration of how ill informed him and his fellow drafters are. The reality is that even if Hydro could borrow the money at 0%, which it cannot, the amount thrown away would still amount to nearly \$5 million. These are senior City officials who are completely out of their depth and demonstrating their lack of financial expertise.

If Mayor McDonald is unwilling to debate his plan, possibly he would prefer to discuss the fact that Hydro, on top of everything else, must collect an additional \$9 million from customers in order to have enough money to repay the \$25 million loan principal.

Or possibly he would like to debate the City's practice of paying a 26.5% tax penalty because dividends are being paid by Hydro to fund City current expenses. This year alone NB Hydro must collect \$980,000 from customers in order to pay a dividend of \$725,000 to the City. Of course, all this money is over and above the actual cost of delivering electricity to customers. Over the past five years Hydro has paid over \$3 million in penalty taxes to the Ontario Hydro Financial Corporation.

Taxpayers have had a number of unpleasant surprises over the last few years caused by the abject failure of City administration. The \$4.2 million overrun at Memorial Gardens. The Battalion lease that guarantees that taxpayers will lose millions over the next 15 years plus numerous consultant fees paid to correct poorly run departmental

operations. It's time taxpayers saw real action to ensure changes are made to eliminate these costly mistakes.

The Mayor had a problem in 2016 of too many expenses and too little revenue. Instead of protecting taxpayers' interests by reducing operating expenses, he borrowed to increase revenues. Exactly like using your MasterCard to pay off your Visa. The net result of calling the Hydro loans will cost taxpayers an extra \$16 million in interest and taxes over the next 20 years compared to previous practice.

The Mayor's Plan is not an issue that can be glossed over by ignoring it. The costs associated with its implementation are not a matter of opinion but are factual and calculable. This issue is not going to go away without the Mayor admitting his lack of financial knowledge and taking full responsibility for his failures as well as making changes to ensure the less than stellar advice received from senior City employees won't be repeated.

NBTA wants to hear from the Mayor and is urging all those taxpayers who are sick and tired of being treated like ATM machines to contact his office and ask him to reveal to the public the true costs of his plan as well as why he continues to allow the current practice of paying a tax penalty by paying the City dividends from Hydro.