

2016 Budget – Mayor’s Plan re Hydro – Oct 5, 2015
(See also PowerPoint – Mayor’s Plan 2016)

We recently talked about the Mayor’s Plan regarding calling Hydro loans to subsidized City operations. Our concerns were met with silence at that time and in the two weeks since.

We think there may be a lack of understanding among Council members regarding this issue and want to show a couple of slides that further illustrate the insidious nature of the suggested course of action.

The first slide reminds everyone that the total municipal tax burden carried by citizens is made up of their taxes, their hydro rates and their water bills. Therefore switching expenses from one component to another component does not bring about any benefits.

The plan attempts to suggest that this action is a benefit but actually increases overall expenses in the process.

The next slide shows the loan situation between the City and Hydro as of the end of last year. The liability on the Hydro side is equal to the receivable on the City’s side.

This is the situation that has existed for the past 15 years and as the slide points out this arrangement represents neither a benefit nor a disadvantage to citizens. In other words the effect is zero.

Looking at the next slide we see what the situation will be if the Mayor’s plan is allowed to proceed. The City loans will have been paid off and will be zero but the Hydro will now have a \$25 million liability to outside lenders.

And believe it or not this is not the worst part.

Instead of the situation that exists now, where Hydro customers pay loan interest to the City and are at least getting some benefit for this contribution, Hydro customers will be paying interest to outside lenders.

In addition, this loan principal must be paid by Hydro using after tax funds. This will increase the amount that must be raised from Hydro customers to

\$34 million. So instead of \$25 million, the liability will effectively be \$34 million.

As mentioned earlier, we received no reaction from anyone following our last presentation. As a matter of fact, for all intents and purposes, we've received no reaction from anyone on council or staff to any of the presentations we made during the last few years.

(Oh, wait a minute! Earlier this year we did have a deep thinker on council indicate that we were operating illegally and stealing money from supporters which was a lie ----- but I guess you could say was a reaction.)

So I thought we might try something different and ask the Mayor to respond directly here tonight.

“Mr. Mayor, this plan will require the additional borrowing of \$25 million from outside lenders. How do you explain to taxpayers how this plan reduce taxes when all it does is have taxpayers borrow \$25 million and will require \$34 million in funds to repay?”

Your plan, which you claim to have been working on for six months, is based on sponsoring the idea that loans made to oneself can be converted into actual assets.

We find it odd that you can't come up with even a suggestion of an error in the material we have presented tonight.

The Association has been making suggestions for the past three years. Those suggestions have never been given any serious attention and have simply been ridiculed, ignored or dismissed.

A couple of years ago the Mayor asked the Association for a list of actions that could be taken to reduce the tax levy. This list which contained seven or eight items was summarily dismissed without discussion and without explanation.

What would we suggest?

Without question, the number one item that needs to be addressed is employee compensation. That line item, disregarding ABC's, accounts for almost 50% of expenditures and has been responsible for most of the increases in the last decade of budgets.

What is the solution? We can tell you one thing it is not going to be pretty. It's not going to be without upheaval and confrontation. Gone are the days when "buying labour peace", as one councillor commented a few years ago, is an option.

This next slide indicates the real problem that the City has. Let's take a look at how wages are forecast to increase over the years to 2023.

Wage increases alone will account for 77% of the estimated tax levy increase in the next eight years.

In 2016 budgeted wage increases alone are 1.75 times the targeted tax levy increase.

Is there anyone on council who thinks that the value of services that taxpayers are going to receive will be worth \$8.2 million more in 2023 than today?

The fact that we can't afford the demands of employees anymore is almost beside the point. Compensation packages have risen to levels which are far beyond market value. The relationship between the actual value of a service and its cost to taxpayers has disappeared.

The mindset among union leaders and their supporters that it is the god given right of every employee, regardless of the market value of their job or their ability, to be given a raise in compensation every single year has taken us to a position where any solution is going to involve drastic measures.

What exact wage and staffing measures are needed?

We would be happy to give specific details on wages and benefits in a forum where concrete discussions can progress and arguments for and against can be heard and not merely dismissed with the wave of a hand.

As far general suggestions, the first thing that should be done is to remove the artificial deadlines recently enacted regarding time limits for passing of the budget.

There is no compelling reason for the budget to be passed before the end of each year and the many meetings discussing this issue are merely minutiae. If the budget deliberations began later, councillors and taxpayers would have more information available regarding the prior year's results and could be used to establish next years budget.

The next item would be for the CAO to be instructed to request that department heads prepare budgets for 2016 that are at least 5% less than 2015. No other instructions are required than their budget must be 10% less than 2015. Those figures can then be presented to the various committees and discussions can start from there.

We have a number of other suggestions which would increase efficiency and attempt to ensure that taxpayers are receiving value for the taxes they entrust to the City and would again be willing to discuss them in the proper forum.

However, let's be clear on one thing, what we are saying tonight is that this plan being put forward by the Mayor which suggests that money from Hydro is free money is illusory.

The premise of this plan is so faulty that it is really an insult to the taxpayers of this community. This plan does nothing to reduce the tax burden on taxpayers.

This plan is attempting to change the conversation from reducing City expenses to suggesting ways to borrow money to pay for more tax increases and additional spending.

Put another way if we were choosing from a list of plans to proceed with, this plan would not even qualify to be on that list.