

North Bay Taxpayers' Association

December 21, 2016

FOR IMMEDIATE RELEASE

Challenge issued over the Mayor's Plan – December 21, 2016

The North Bay Taxpayers' Association (NBTA) has expressed serious concerns over the implementation of the Mayor's plan. The Mayor's plan calls for the Hydro group of companies including North Bay Hydro Distribution Limited (NBHDL) to borrow approximately \$25 million from outside lenders to repay loans due to the City.

The City shows loans due from Hydro but Hydro group shows the exact amount owing to the City. The City and Hydro group are both owned by taxpayers. Taxpayers are the only customers of both organizations. Taxpayers supply all the funds required by the City and Hydro to operate. From a taxpayer point of view it is immaterial that the City is a municipal corporation and Hydro is an incorporated company.

From a taxpayer's standpoint, these loans and notes are neither assets nor liabilities but merely the method used by accountants to keep track of things. There was no value created or lost when these notes and loans were issued. Any suggestion that these loans can be monetized (create some value from) is misrepresenting the facts.

The of lack of understanding by the Mayor, council and senior city staff of this relationship between taxpayers' interest in both the Corporation of the City of North Bay and NBHDL has resulted in them implementing a financial course of action that is a massive waste of taxpayer funds.

When the Mayor first introduced and promoted this plan, he talked of using "Hydro" money to reduce the tax levy, pay off the Hospital commitment and reduce City capital borrowing. In reality, what he was talking about was money that Hydro had to borrow. There was never any mention by the Mayor that this borrowed money had to be repaid to outside parties with interest. This means that principal and interest payments that were being paid to taxpayers will be going to outside lenders for the next 20 years.

The background information included with this press release illustrates the details of the \$34,087,985 to repay the loans being made by Hydro.

For further information please contact:
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BACKGROUNDER

FOR NORTH BAY TAXPAYERS' ASSOCIATION PRESS RELEASE
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To illustrate what is actually happening, let's consider this example. On a certain day in 2016, Hydro borrows \$9.5 million which it gives to the City. As part of the Mayor's plan, the City promptly sends the \$9.5 million to pay off the commitment to the Hospital. Hydro now has \$9.5 million liability to outside lenders.

The following day, Hydro borrows \$3.5 million and gives it to the City. Again as part of the plan, the City promptly uses the \$3.5 million to reduce City capital borrowings. Hydro now has a \$13 million (\$9.5 plus \$3.5) liability to outside lenders.

On a certain day in 2017, Hydro borrows an additional \$3.5 million and gives it to the City. Once again, the City promptly uses the \$3.5 million to reduce City capital borrowings. Hydro (for simplicity, ignore the fact that some principal and interest payments will have been made) now has a liability of \$16.5 million (\$9.5 + \$3.5 + \$3.5) to outside lenders.

This process continues until the whole of the \$25 million has been borrowed by Hydro and spent by the City resulting in Hydro having a liability of \$25 million to outside lenders.

So the end result? Hydro now has the loan obligation to repay principal and interest on their books. The additional cost to fund this shell game is \$9.2 million. Imagine an extra \$9.2 million wasted because the mayor wants to simply look good.

This is a public challenge from the NBTA to the Mayor to debate the figures we have presented and prove that his plan is nothing more than a lavish public relations scheme funded by taxpayer's.

For further information please contact:
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**SUMMARY OF 20 YEAR
\$9,266,309 COST TO TAXPAYERS OF MAYOR'S PLAN**

	PRINCIPAL	Cost of PIL'S	Cost of INTE REST	Cost to Repay PRINC PAL	TOTA L COST		
HYDRO NOTE LESS HOSPITAL	\$9,595,868	\$1,940,279	\$2,27 4,060	\$9,595 ,868	\$13,81 0,207		
HOSPITAL COMMITTMENT	\$9,915,733	\$822,505	\$2,34 9,863	\$9,915 ,733	\$13,08 8,101	Total Cost	\$34,0 87,98 5
TOTAL NBHDL NOTE	\$19,511,601	\$2,762,785	\$4,62 3,923	\$19,51 1,601	\$26,89 8,309	Loans	\$24,8 21,67 6
MERRICK RE METHANE	\$3,977,125	\$351,681	\$942, 512	\$3,977 ,125	\$5,271 ,318	Net taxpayer cost over 20 years	\$9,26 6,309
SERVICES	\$1,332,950	\$269,522	\$315, 887	\$1,332 ,950	\$1,918 ,359		
	\$24,821,676	\$3,383,987	\$5,88 2,322	\$24,82 1,676	\$34,08 7,985		

