

North Bay Taxpayers' Association

November 30, 2016

FOR IMMEDIATE RELEASE

The North Bay Taxpayers' Association is officially accusing North Bay city officials of financial mismanagement that will cost taxpayers millions of dollars over the next twenty years

Since October, 2015, the North Bay Taxpayers' Association has been attempting to make the mayor and council members aware of the costs that the Mayor's Plan will impose on taxpayers.

We have made a number of presentations to council, sent e-mails and contacted council members on a one to one basis since that time. The responses we have received have been few and far between but one fact that appears evident throughout is the total lack of understanding that senior staff, the Mayor and most council members possess concerning this matter. There has been no serious attempt by city administration to address our arguments or disprove the NBTA position on this matter.

The Mayor's plan calls for the hydro group of companies including North Bay Hydro Distribution Limited (NBHDL) to borrow from outside lenders to repay loans due to the city. A portion of these loans is a note receivable which was taken back in 2002 by the city as part of the purchase price for the old Hydro Commission assets and amounts to \$19.5 million.

In an attempt to monetize this note, the City has required NBHDL to repay it by making a 20 year loan. The immediate result of this action is that interest payments currently flowing from NBHDL to North Bay taxpayers will cease and interest will be paid to outside lenders. These interest payments to outsiders will total \$4.6 million.

In addition, this action will increase the amount of money subject to payment-in-lieu-of taxes (PIL's) due from NBHDL to the Hydro Financial Corporation. The increase in PIL's payments to taxpayers will be \$3.9 million over the 20 year period. The total cost to taxpayers over the next 20 years will be \$8.5 million for these two items by themselves.

Piling \$8.5 million on the steps of City Hall and setting fire to it would have produced a similar benefit for taxpayers.

In the real world of business, company officials who concocted and implemented a similar scheme would have been terminated on the spot and may have even faced civil action against them.

This is not however the end of this financial fiasco. Since PIL's must be paid before any principal payments, in order for NBHDL to repay the principal amount of the \$19.5 million loan, they must collect \$26.5 million in the delivery charges billed to customers.

NBHDL has been collecting and making unnecessary PIL's payments on excess delivery charges for over a decade. So these extra collections are merely a continuation of the illusion that raising city revenue, which at one point cost the City \$.40 for every dollar raised (it currently stands at \$.265), was a good idea. In fact, city officials find this practice so irresistible that they have paid lawyers thousands of dollars to have NBHDL shareholder's agreements, which forbade this practice, to allow it. In other words, they have enshrined into company records that paying \$.265 to Hydro Financial Corporation for the privilege of collecting \$.735 from

customers is acceptable The NBTA have been speaking out against this practice for years with similar results as far as responses from officials

Therefore, the NBTA executive is officially accusing North Bay city administration. We assert that the of lack of understanding by the mayor, council and senior city staff of the 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 detrimental to North Bay taxpayers.

We are calling for the immediate resignation of the Mayor and any council member who voted to pass the 2016 budget which included the Mayor's Plan and the termination of any city employee who was active in designing and implementing the Mayor's Plan.

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