

Mayor McDonald's defence of reserve policy – April 12, 2018

I want to thank the Mayor for qualifying my commentary on the City's reserve policy as criticism. This is a welcome change from his practice to date of dealing with critical comments by characterizing them as insults or exploiting his position as mayor to ban them altogether.

The Mayor's position that the blatant tax grab amounting to \$23 million since 2006 is "savings" is political spin at its finest. As indicated in my letter, reserve funding is an accepted financial concept which administration has co-opted for its own benefit. The City exists solely to provide services to taxpayers not to increase its bank accounts at taxpayers' expense.

The Mayor suggests that my comments criticise council and staff for presenting balanced budgets. This is incorrect. Presenting balanced budgets is a requirement of the Municipal Act, 2001 (Act). Council has no choice in the matter and any portrayal of this task as "hard work by staff and council" would more correctly be characterised as "doing the jobs that they are being paid to do".

In addition, there was no criticism of year-end surpluses in my letter. The criticism dealt with the fact that taxpayers are not benefiting from these year-end surpluses. Section 290 (4) (b) of the Act requires that all year-end surpluses be included in revenue for the following year. North Bay council is not following this requirement and is in violation of the Act in this regard. Apparently staff has not informed the Mayor of this fact or he is ignoring the requirement. The Mayor's attempt to paint the Taxpayers' Association as being critical of savings is incorrect and self-serving in the extreme.

The Mayor's listing of City's cash, debt and fixed asset amounts at the end of 2016 is superfluous to this discussion. However, it must be pointed out that the \$64 million in cash showing on the City's books includes funds borrowed by Hydro which taxpayers are now making principal and interest payments of \$1.2 million per year for 20 years. If borrowing money in order to be able to brag about the size of one's bank account was the plan, the Mayor has succeeded.

In addition to the pernicious effects of the Mayor's Plan which unwisely continues to cost taxpayers millions in unnecessary expenses, the willy-nilly accumulation of budgeted surpluses, under the guise of fiscal responsibility, is another burden on taxpayers. The amount of reserves that represent an ideal can never be exactly quantified except in hindsight but any decisions ought to be based on past experiences as applied to future probabilities. As I indicated in my letter, the City's practice of

transferring any and all budgeted surplus funds to reserves amounts to high-jacking the concept of reserves and is an unnecessary burden on taxpayers.