

November 30, 2021

Township of Muskoka Lakes
1 Bailey Street
Port Carling, ON
P0B 1J0

Dear Mayor Harding and Councillors,

Re: 2022 Draft Operating and Capital Budget and Forecast

Thank you for the opportunity to review the proposed budget for 2022. The Muskoka Lakes Association (“MLA”) represents over 2,100 families in the Muskoka Lakes area. We regularly survey our members about issues that concern them, and taxation continues to be a major issue for many.

The MLA appreciates the effort and improvements made to the 2022 operating and capital budget presentation this year. The detailed ten-year capital budget / reserves were clearly presented, while the operating budget was broken down by division with a detailed narrative. Holding budget deliberations before the new year is also a welcome improvement.

The opportunity for the public to provide input in to spending decisions is an important part of the budgeting process. However, in the absence of an active dialog with council or staff, it is not possible to determine if concerns raised are valid and if so, whether they are being appropriately addressed. The MLA would ask council, starting with this year, to provide meaningful feedback to all input provided by the public.

Reserves

The MLA is concerned that there may be a misunderstanding in the determination of the township’s capital needs that warrants immediate attention.

It would seem that from the time of township’s founding or incorporation over 50 years ago in 1971 up until 2014, year-end cash balances of between \$1 million and \$5 million have been maintained as a sufficient float to manage timing differences in working capital and capital expenses. However, from 2015 through to 2024 there has been significant tax increases, which seems to have been put through largely to build a capital reserve in excess of \$15 million [1].

According to the township’s audited financial statements the cash balance as of December 31, 2020, was \$19.2 million. Presumably, this cash balance would grow significantly higher if the proposed tax rate increases well in excess of inflation are put through: 7% - 8% in 2022, 9.4% in 2023 and 3.6% in 2024.

The reserve forecast [1] shows the balance roughly flat over the next ten years as presented, indicating that planned yearly tax income is more than sufficient to cover planned operating and capital expenditures, without a significant draw on the reserve balance. **It would seem that tax increases above the immediate needs of the township over the past 6 years have resulted in an excess cash balance of around \$15 million or an additional full year’s tax being collected from each property owner.**

The township is currently forecasting \$77 million in capital spending over the next ten years. The forecast shows the township receiving \$74 million over the next ten years to pay for those capital expenses in addition to its operating expenses. It is our understanding that no extraordinary expenditures are anticipated in the years following the current ten year forecast. If that understanding is correct, it would suggest that the township is over capitalized by \$15 million. The MLA would appreciate the opportunity to meet with the township to discuss this issue in more depth before any final decision on the 2022 budget is made.

Zero Based Budgeting

Zero Base Budgeting is carried out by reviewing segmented expenses for a period of time and then determining an appropriate level of expenses for the following period. [2] The overall budget being the summation of these individual expenditure decisions. Variations of this approach are standard when managing a business. However, this is not the approach currently being used by the township.

Council endorsed a budget / spending increase of 5% for 2022 on September 15, 2021, a month and a half before the draft budget was prepared and presented to council. The budget presented on November 3, 2021 reflected that direction with a 4.99% spending increase. It is unclear why a 5% increase was initially proposed and not some other amount. It appears that budget items were trued up to meet the predetermined target of a 5% increase. We are concerned that council has already determined that further taxation increases of 9.4% and 3.6% for 2023 and 2024 respectively are warranted.

Taxation increases of course compound. The proposed tax increases of 7% - 8%, 9.4% and 3.6% for 2021, 2023 and 2024 alone will result in an overall tax increase greater than 20% in the next three years.

A La Carte Items

The MLA agrees with those Councillors who have stated at the General/Finance Committee meetings that it is premature to increase taxes by \$150,000 in support of the as yet unformulated Community Improvement Plans (CIP) proposed for Bala and Port Carling. The amount of funding should be determined after CIP projects are approved.

The MLA supports an additional planner to reduce the backlog in development applications.

We do not support the township hiring a GIS Specialist. We do not believe taxes should be increased to pay for this new position, when the need and benefit of mapping development has not been established. We note that the District of Muskoka has already invested significantly in a geo mapping system.

Community Centres and Fire Stations

The township has more than double the number of community centers at 14 and fire stations at 10 than any other municipality in the region accounting for population, number of households, kilometers of roads and land area to service. Staffing, heating, air conditioning and maintaining these underutilized facilities has significant financial and environmental costs. The MLA requests that the operating and capital cost associated with each facility be detailed along with its usage with a view to consolidating these facilities.

Climate Change Tax Increase

Property taxes are intended to cover the operating and capital cost of running the township. A charge of \$25,000 a year is proposed for unspecified “climate action initiatives”. No indication is given as to what those monies will be spent on or what corresponding climate benefit will result. This is not unlike the \$394,000 received from the province for Covid related expenses, of which to date none have been required. To the contrary, Covid appears to have resulted in lower municipal expenditures. Instead of increasing taxes, the MLA would support the township exploring cost and energy savings through reduced travel budgets in favour of video conferencing. In addition, the consolidation of township facilities could result in substantial energy and cost savings.

Parkland Dedication Reserve

In keeping with previous budget letter requests, the MLA would appreciate an explanation of what the Parkland Dedication Reserve [3] is being used for. The budget has contributions to reserves of \$150,000 per year with withdrawals of over \$500,000 planned for 2022, 2029 and 2030.

In conclusion, if this budget is accepted as proposed the TML general property tax burden on the township’s residential taxpayers will have increased a combined total of 77% since 2011, which is 3.5 times the 22% cumulative rate of inflation over the same period.

Thank you for this opportunity to provide our comments on the 2022 draft township budget.

Sincerely,



Susan Eplett
VP and Chair, Government & Land Use Committee



Dayle Hogg
Budget Chair

cc: Mark Donaldson, Director of Financial Services

1 - Page 115 of the 2022 Draft Operating and Capital Budget, November 3, 2021

2 – Zero Based Budgeting https://en.wikipedia.org/wiki/Zero-based_budgeting

3 - Page 117 of the 2022 Draft Operating and Capital Budget