

# Township of Cavan Monaghan

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## Potential Impact of Loss of OLG Funding Contributions

### Regular Council Meeting

November 19, 2012

Watson & Associates Economists Ltd

# Purpose

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- On March 12, 2012 the provincial government announced the cancellation (during 2013) of the revenue-sharing agreement that pays racetracks to host slot machines at their facilities
- OLG's future direction will be to choose locations “more strategically” in the future and will rely on private sector bidders to facilitate locations and venues for the gaming activities
- Council provided the following resolution on July 3, 2012  
**(based on the OLG change of direction and the current 2012 budget)**
  - “That Council approves the proposal regarding Fiscal Impact Assessment from Watson & Associates”

# Slot Revenue (2012)

- Annual OLG Revenue has consistently been in the \$3.2-\$3.6 million range over the past few years
- This revenue has been shared between the operating fund and capital fund
- For 2012, the following allocation has been made:
- This allocation will leave \$120,000 left in reserve

	\$	%
Budgeted Slots Revenue for 2012	3,120,000	
Allocation to Operating Budget (Tax Rate Stabilization)	973,675	31%
Allocation for Capital Reserve	2,146,325	69%

# Impact On Property Taxes Operating

- Property taxpayers contribute to upper/lower tier municipalities along with school boards through their annual tax payments
- For Cavan Monaghan, 43% of the 2012 total tax bill goes to Municipal – for 2012, this raises \$4.28 million in property taxes (net of environmental) for municipal purposes
- The potential loss of the OLG operating contribution would increase the municipal tax portion by 23%

<b>Impact of Operating Budget loss (Tax Rate Stabilization)</b>	\$ 973,675
Net 2012 Tax Levy (no Environmental)	\$ 4,277,467
Required Increase in Tax Levy	23%
<b>Tax Per 100,000 Residential Assessment</b>	
2012 as Implemented (Residential)	\$ 456
Adjusted for loss of Slots Revenue	\$ 560
Increase In Taxes Per 100,000 Residential Assessment	\$ 104

# Impact On Property Taxes Operating

- As Cavan Monaghan's portion of the tax bill is 43%, the increase as a percentage of the overall tax bill would be approximately 10%

2012 TAX RATES	2012 Tax Rates		2012 Adjusted for Loss of Slot Revenue		Impact	
	RATE	per \$100,000	RATE	per \$100,000	\$ Change	% Change
MILLBROOK WARD	1.058846	1,059	1.162690	1,163	104	9.8%
NORTH MONAGHAN WARD	1.038822	1,039	1.142666	1,143	104	10.0%
CAVAN WARD	1.02378	1,024	1.127624	1,128	104	10.1%

# Impact On Property Taxes Capital

- The loss of the capital portion of the OLG revenue would also impact taxpayers
- If the municipality offset this \$2.146 million loss with property taxes, the impact would be to increase the municipal tax portion by 50%

<b>Impact of Capital Budget Loss</b>	\$ 2,146,325
Net 2012 Tax Levy (no Environmental)	\$ 4,277,467
Required Increase in Tax Levy	50%
<b>Tax Per 100,000 Residential Assessment</b>	
2012 as Implemented (Residential)	\$ 456
Adjusted for loss of Slots Revenue	\$ 685
Increase In Taxes Per 100,000 Residential Assessment	\$ 229

# Impact On Property Taxes Capital

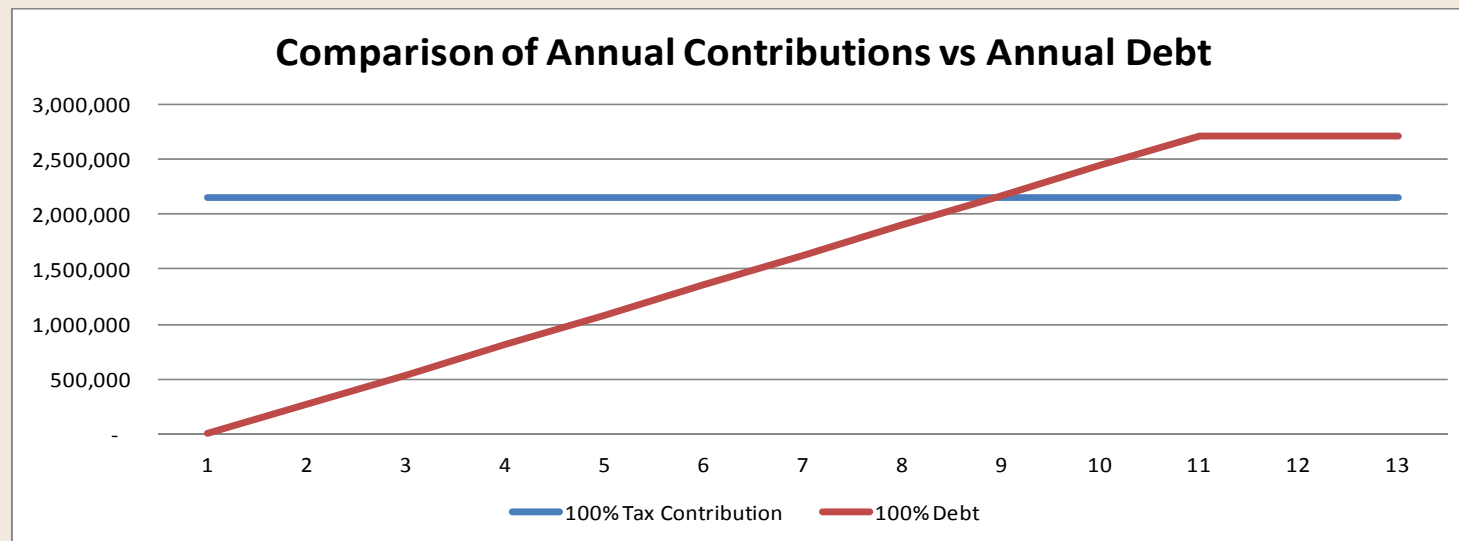
- As Cavan Monaghan's portion of the tax bill is 43%, the increase as a percentage of the 2012 total tax bill would be approximately 22%

	2012 Tax Rates		2012 Adjusted for Loss of Capital Slot Revenue		Impact	
	RATE	per \$100,000	RATE	per \$100,000	\$ Change	% Change
MILLBROOK WARD	1.058846	1,059	1.287756	1,288	229	21.6%
NORTH MONAGHAN WARD	1.038822	1,039	1.267732	1,268	229	22.0%
CAVAN WARD	1.02378	1,024	1.252690	1,253	229	22.4%

- As this amount is for capital purposes, debt could be substituted which would phase in this overall impact over time (say 5-10 years)

# Impact On Property Taxes Capital

- However, debt (at 4.5%) would use up all of the Township's debt capacity and would increase taxes over time by 63% of municipal portion of the tax bill (and 28% impact on 2012 total tax bill)
- The Township's Debt Capacity (ability to borrow) is approximately \$21M. Currently the Township has not utilized any of the debt capacity available.





# Impact On Property Taxes

## Assessment Loss

- The potential closure of the OLG facility may also impact the market value assessment of Kawartha Downs
- MPAC has provided (very) preliminary assessment information – estimated loss of 80% in value
- The net impact is minor (\$5.50 per \$100,000 assessment)

<b>Total Weighted Assessment - General Purpose</b>	\$ 937,674,899
Kawartha Downs Loss as % of Weighted Assess.	1.10%
<b>Tax Per 100,000 Residential Assessment</b>	
2012 as Implemented (Residential)	\$ 456
Adjusted for loss of Assessment	\$ 461
Increase In Taxes Per 100,000 Residential Assessment	\$ 5

<b>Total Weighted Assessment - Cavan Ward</b>	603,594,914
Kawartha Downs Loss as % of Weighted Assess.	1.71%
<b>Tax Per 100,000 Residential Assessment</b>	
2012 as Implemented (Residential)	\$ 27.06
Adjusted for loss of Assessment	\$ 27.53
Increase In Taxes Per 100,000 Residential Assessment	\$ 0.46

# Summary of Overall Property Tax Impact (per \$100,000 residential assessment)

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- Loss of Operating Revenue - \$104
- Loss of Capital Revenue - \$229
- Loss (Potential) of Assessment - \$5
- Total - \$338

# Reduction in Expenditures Due to Potential OLG Closure

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- Minor reduction in expenditures is anticipated if Kawartha Racetrack Closes
  - \$2,200 for reduced fire calls to OLG (18 per year)
  - \$99,000 reduction for sludge haulage but this is 100% recoverable – net savings of \$0.00

# Potential Approaches to Offsetting Revenue Losses

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- Three areas have been considered to assist in mitigating the impact on taxpayers
  1. Increase Revenues
  2. Reduce Expenditures
  3. Reduce Service Levels

# 1. Potential Increases in Revenue

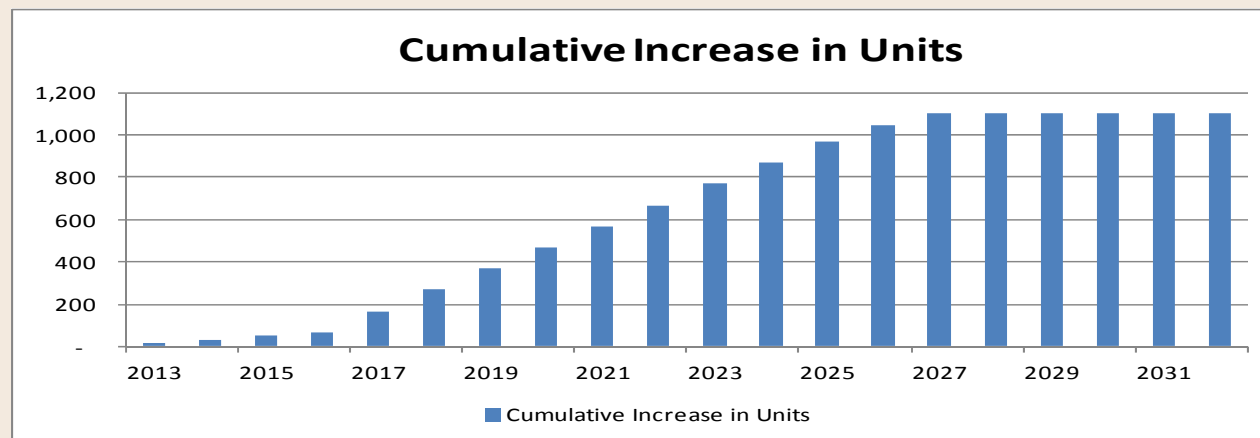
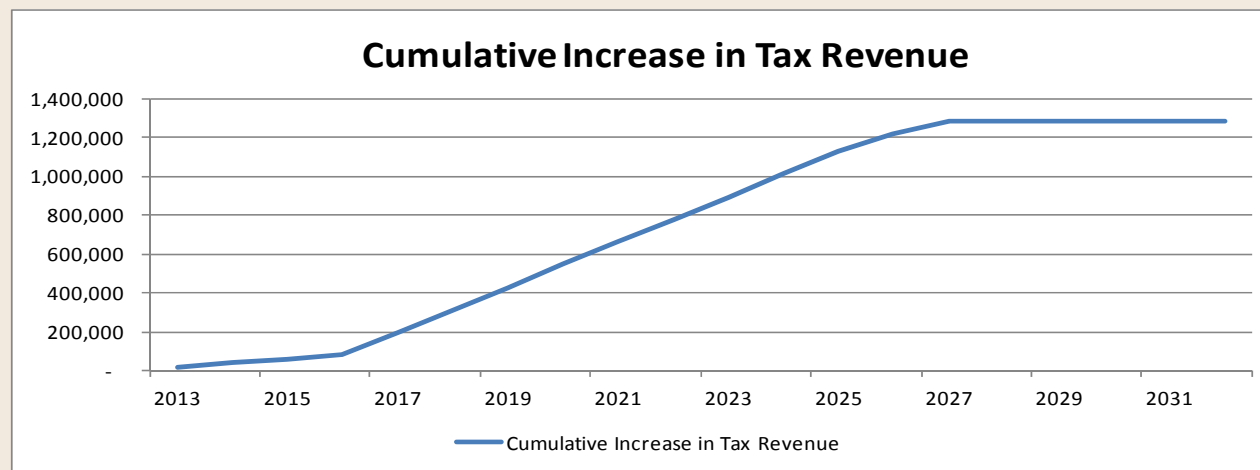
## □ Create new assessment

- Historically, the Township has not promoted nor has received much growth. The Township's OP identifies 1,100 units over next 20 years (Millbrook is the key growth area)
- This provides the potential to raise approx. \$1.3 million in Township property taxes – note that this would partially be offset by increase expenditures
- Services will not be available for this identified growth until 2017

OP Growth - # of units	1,100
Average Selling Price of Home	300,000
Assessed Value	255,000
Potential New Assessment	280,500,000
Tax Rate - General Purpose 2012	0.004562
Potential New Tax Revenue	1,279,641

# 1. Potential Increases in Revenue

- This is expected new growth at approx. 17 units per year until 2017 and then 50-150 per year thereafter



# 1. Potential Increases in Revenue

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- ❑ The prior slide does not address additional increases in expenditures to accommodate growth
- ❑ Often, tax supported services can generate more expenditures than revenue however the impacts depend on DC recovery, value of homes (i.e. affordable housing yield less taxes than higher value homes), excess capacity in system, service levels, etc.
- ❑ However, rate supported service generally provide more revenue than expenditures

# 1. Potential Increases in Revenue

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- A review of the Township's current User Fees (not including water/wastewater) was undertaken relative to Peterborough. The Townships fees are considered to be lower and generally in the following ranges:

## Summary

- Administrative fees – 50% to 75% of City
  - Building Fees – 60% to 75% of City
  - Planning Fees – Somewhat lower (variable fees based on Rural)
  - Fire – 50% to 80% of City
  - Recreation - 50% to 75% of City
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- This is an area that could be considered to be increased based on the services levels and cost



# 1. Potential Increases in Revenue

- By increasing User Fees closer to Peterborough, would estimate the potential of raising approx. \$75,000 to \$100,000 annually
- In addition, estimated growth of approx. 25% would have an additional increase in user fees of \$100,000

2010 User Fees by Service	\$
General government	7,547
Fire	91,270
Police	9,560
Protective inspection and control	5,282
Roads	3,000
Solid waste disposal	36,690
Parks	18,292
Recreation	186,816
Libraries	11,139
Planning	71,399
Subtotal	440,995

# 2. Reduce Expenditures

## Comparative Analysis of all Municipalities in Peterborough County

- Overall, salaries are 32% of total expenditures – 2<sup>nd</sup> lowest in County – doesn't provide large savings opportunities for contracting out, wage freezes, etc.

Municipality	Salaries, Wages, Empl. Benefits	Materials	Contracted Services	Rents and Financial Expenses	External Transfers	OPERATING COSTS	Salaries, Wages as a % of Total Spending
Peterborough County	\$ 15,098,254	\$ 7,930,421	\$ 3,620,228	\$ 187,114	\$ 10,740,963	\$ 37,576,980	40.2%
Peterborough City	\$ 87,241,455	\$ 27,698,035	\$ 46,663,567	\$ 1,819,865	\$ 48,458,363	\$ 211,881,285	41.2%
Ontonabee South Monaghan	\$ 1,986,773	\$ 1,406,803	\$ 1,430,003	\$ 75,029	\$ 54,534	\$ 4,953,142	40.1%
Douro Dummer	\$ 1,731,754	\$ 1,407,297	\$ 977,618	\$ 4,862	\$ 88,403	\$ 4,209,934	41.1%
North Kawartha	\$ 1,962,054	\$ 1,594,242	\$ 791,632	\$ 59,762	\$ 37,487	\$ 4,445,177	44.1%
Asphodel Norwood	\$ 1,225,315	\$ 1,107,276	\$ 1,122,145	\$ 37,234	\$ 26,212	\$ 3,518,182	34.8%
Cavan Monaghan	\$ 2,716,718	\$ 3,682,307	\$ 1,903,522	\$ 20,955	\$ 180,767	\$ 8,504,269	31.9%
Smith Ennismore	\$ 3,787,890	\$ 3,325,142	\$ 3,818,728	\$ 157,232	\$ 1,077,307	\$ 12,166,299	31.1%
Havelock Belmont	\$ 1,797,397	\$ 1,392,439	\$ 1,823,874	\$ 10,883	\$ 135,074	\$ 5,159,667	34.8%
Galway Cavendish	\$ 2,709,456	\$ 2,221,164	\$ 1,802,723	\$ 248,454	\$ 138,648	\$ 7,120,445	38.1%

# 2. Reduce Expenditures

## Comparative Analysis of all Municipalities in Peterborough County

- General Government seemed a little high however recent realignment would lower this service cost
- Parks/Transfer Station operations – potential for contracting services – further study would be required

2010 Full-Time Positions										
	Peterborough County	Otonabee	Peterborough City	Douro Dummer	North Kawartha	Asphodel Norwood	Cavan Monaghan	Smith Ennismore	Galway Cavendish	Havelock Belmont
Administration	23	7	51	7	7	6	8	11	7	9
Fire	-	3	99	1	3	1	3	3	3	1
Police	-	-	163	-	-	-	-	-	-	-
Court Security	-	-	14	-	-	-	-	-	-	-
Transit	-	-	81	-	-	-	-	-	-	-
Public Works	38	9	141	6	6	7	8	19	16	8
Ambulance	66	-	-	-	-	-	-	-	-	-
Other Social Services	-	-	121	-	-	-	-	-	-	-
Parks and Recreation	-	2	48	2	3	1	5	7	-	3
Libraries	-	-	17	-	-	1	2	1	-	-
Planning	-	-	16	1	3	-	1	2	2	-
Other	-	2	32	1	-	1	-	3	3	-
<b>TOTAL</b>	<b>127</b>	<b>23</b>	<b>783</b>	<b>18</b>	<b>22</b>	<b>17</b>	<b>27</b>	<b>46</b>	<b>31</b>	<b>21</b>
Population	58,182	6,934	76,000	6,954	2,062	4,125	9,235	17,413	5,284	4,637
Staff per 1000 people	2.2	3.3	10.3	2.6	10.7	4.1	2.9	2.6	5.9	4.5

Source: 2010 Financial Information Return for each municipality

# 2. Reduce Expenditures

## Comparative Analysis of all Municipalities in Peterborough County

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- Volunteer Based Projects - potential of partnering
- Sharing of Capital Projects and/or Bidding of Projects – Townships
- Selling off Townships Assets
  - land, facilities will materialize revenue
  - reduce ongoing operating costs associated with maintaining the asset

# 3. Reduce Service Levels

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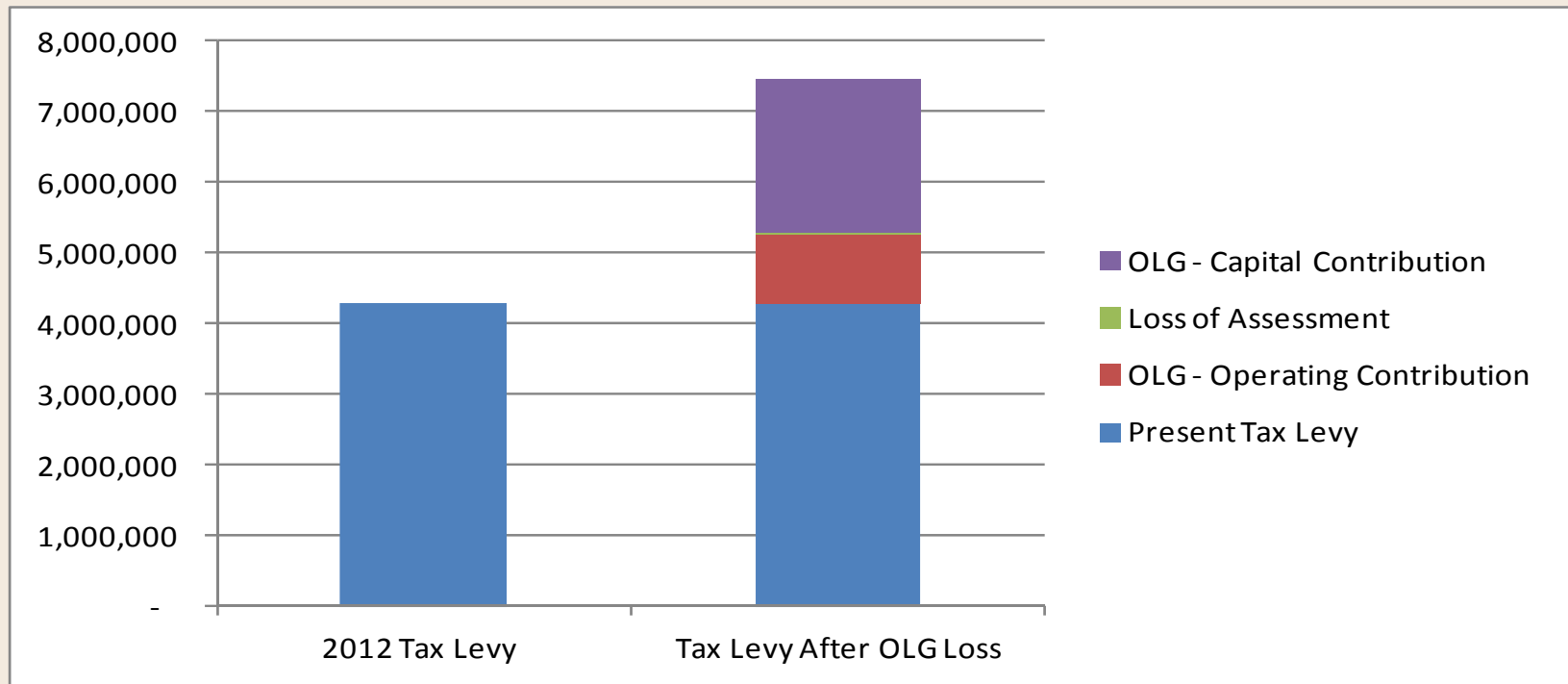
- Overall, not a lot of areas to cut Service Levels. There may be areas that service could be reduced i.e. weekly grass cutting
- Service Levels are not excessive given budgetary cuts over past few years
- The following areas may warrant further consideration
  - Library – Budget consideration
  - Solid Waste – look to standardize service

# How Do We Move Ahead

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- Consider a new User Fee By-law
- Consider making services level changes
- Reducing the Slots funds in operating
- Adjust annual municipal tax rate for the potential loss of the Slots (operating and capital)
- Capital budget should be based on need not wants
- Reflect on all information gathered during the 2013 budget and beyond
- Further studies may be considered
- May need communication plan during budget process to explain issues

# Tax Levy Impact of Slot Revenue Loss (Based on 2012 budget)



Tax Levy Needs	2012 Tax Levy	Tax Levy After OLG Loss
Present Tax Levy	4,277,467	4,277,467
OLG - Operating Contribution	-	973,675
Loss of Assessment	-	46,811
OLG - Capital Contribution	-	2,146,325
<b>Total</b>	<b>4,277,467</b>	<b>7,444,278</b>

# Phase-in of Operating, Capital and Tax Levy (without consideration of budgetary reductions)

Operating Budget	2012	2013	2014	2015	2016	2017	2018
Annual Levy (10% increase annually)	\$ 4,277,467	\$ 4,705,214	\$ 5,175,735	\$ 5,693,309	\$ 6,262,639	\$ 6,888,903	\$ 7,577,794
Plus OLG Operating Revenue	973,675	973,675		0	0	0	0
Total	5,251,142	5,678,889	5,175,735	5,693,309	6,262,639	6,888,903	7,577,794
Less Tax Supported needs	(5,251,142)	(5,251,142)	(5,251,142)	(5,297,953)	(5,297,953)	(5,297,953)	(5,297,953)
Net Transfer to (from) OLG Reserve	-	427,747	(75,407)	395,355	964,686	1,590,950	2,279,840

Capital Budget	2012	2013	2014	2015	2016	2017	2018
OLG Capital Revenue	2,146,325	2,146,325		0	0	0	0
Less Capital Spending	2,146,325	1,073,163	1,073,163	1,073,163	1,073,163	1,073,163	1,073,163
Net Transfer to (from) OLG Reserve	-	1,073,163	(1,073,163)	(1,073,163)	(1,073,163)	(1,073,163)	(1,073,163)

Reserve for OLG Revenues	2012	2013	2014	2015	2016	2017	2018
Opening Balance	-	120,000	1,620,909	472,340	(205,467)	(313,944)	203,844
OLG Operating Transfer in (out)	-	427,747	(75,407)	395,355	964,686	1,590,950	2,279,840
OLG Capital Transfer in (out)	-	1,073,163	(1,073,163)	(1,073,163)	(1,073,163)	(1,073,163)	(1,073,163)
Closing Balance	120,000	1,620,909	472,340	(205,467)	(313,944)	203,844	1,410,522



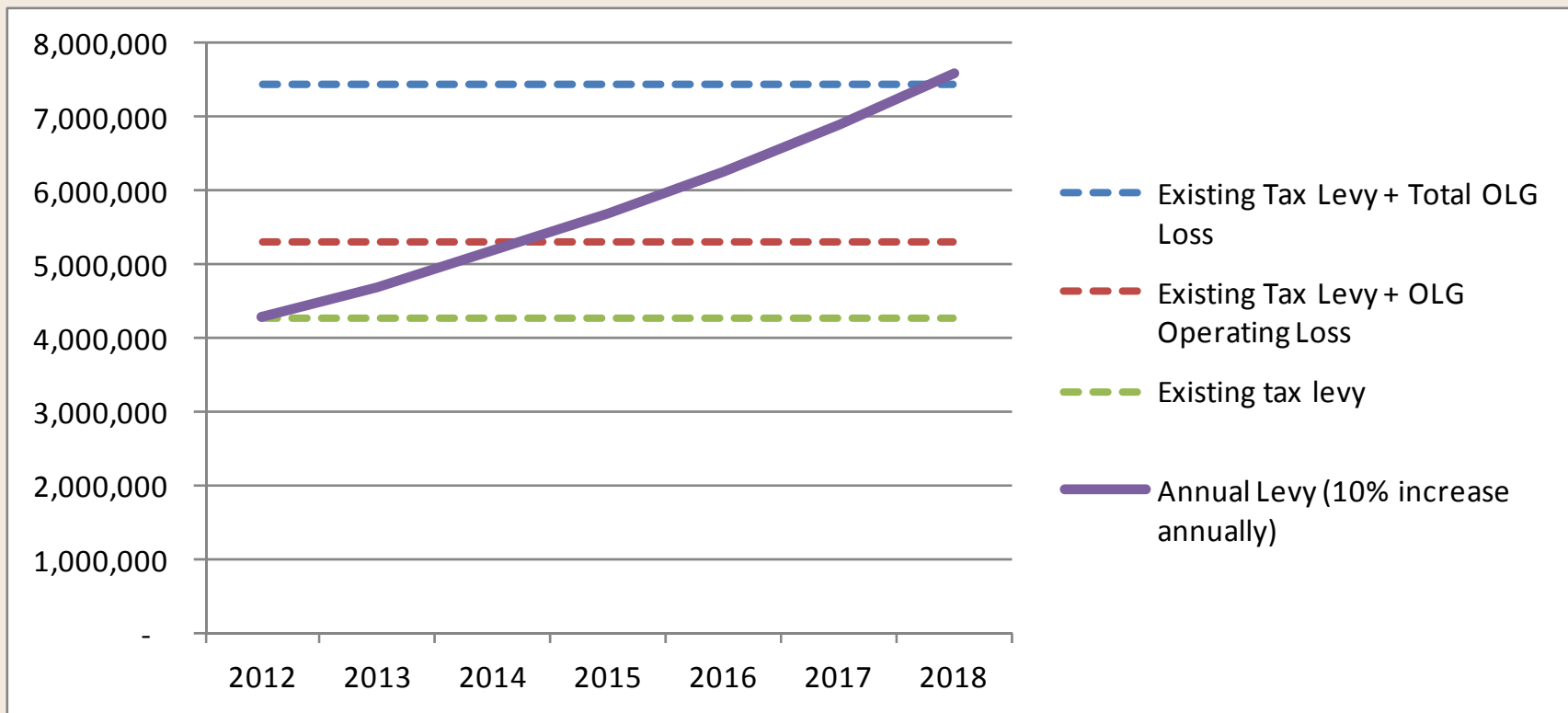
# How Do We Phase in the Impact?

## - Illustrative Example

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- ❑ Tax levy increases will need to happen – seek to phase this in at tolerable increases
- ❑ As an initial option, assume:
  - that the present revenues will continue for 2013 – provides for continued cash flow for a short time
  - any inflation increases to operating can be offset by increased non-tax revenue/reduced spending
  - curtail tax supported capital spending for approximately 5 years – say 50% of current levels – approx. \$1.1 million per year or less
- ❑ Based on the above, the municipal tax portion would need to increase at 10% per year (or 4.3% on total tax bill) over six years

# Phase-in of Tax Levy Increases



# Next Steps

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- Council direct staff on next steps based on information presented today.