

Carling 2024 Budget Analysis and Concerns

A comparison of Carling’s financial and operational data against the comparable municipalities of Whitestone and McKellar (similar populations and proportion of seasonal residents) raises two significant and long-standing issues: Carling’s administrative and operating costs are much higher and, because of this and other factors, Carling’s residents are significantly over-taxed. With Carling’s recent doubling of its commitments to the Parry Sound pool (\$2MM) and updated operating deficit projections, it seems certain that the Township will need to take that level up by another 8% for this amenity.

The table below was produced in 2022 using the official budgets and actuals of each township. All Ontario municipalities must file detailed financial and information reports to the province. That data is available at the following site and was used in this analysis. <https://efis.fma.csc.gov.on.ca/fir/index.php/en/multi-year-reports/year-2009-and-on/>

Tax Burdens vs Ratepayer Value—Comparative Analysis			
Key Township Tax and Asset Factors	Carling	Whitestone	McKellar
Population 2021	1,491	1,075	1,419
Population 2011	1,248	918	1,144
Average Population Growth/Yr	2%	2%	2%
Tax Base (Total MPAC Valuation of All Properties from Carling Official Plan 2021)	\$ 1,056,938,454	\$ 623,335,010	\$ 681,428,309
Tax Revenue 2022 Budgeted	\$ 5,750,422	\$ 3,071,087	\$ 3,669,127
Municipal Tax Rate 2022 (\$/100K value)	536	497	500
Education Tax Rate 2022 (\$/100K value)	153	153	153
Total Tax Per \$100K of Property Value	\$ 689	\$ 650	\$ 653
Carling Rate If Taxes Were Comparable to Others at \$3.4MM (per \$100K of property value)	\$ 322		
Carling's Over-taxation per \$100K of Property Value/Year	\$ 214		
Township Roads, Facilities, Services			
Maintained Roads (kms)	88.6	103	103
Maintained Bridges	2	9	5
Firehalls	1	1	2
Waste/Landfill	2	2	1
Rec Centre	YES	YES	YES
Ball diamond	YES	YES	YES
Outdoor covered rink	YES	YES	YES
Town Hall	YES	YES	YES
Playgrounds/parks	2	2	2
Beaches	1	1	3
Boat ramps	6	8	4
Hiking trails	YES	YES	YES
Unassumed Road Grant Program	NO	YES	NO
Library	NO	YES	YES
Nursing Station	NO	YES	NO
After school program	NO	YES	NO

Comments and Concerns

Carling’s residents are paying about 40-50% more than is apparently necessary to maintain essentially the same amount of infrastructure and services as comparable townships. Carling has a slightly larger full-time population and another 25-30% more households overall (which includes seasonal dwellings). Those

factors mostly impact the allocation of district services and policing and some administrative functions such as billing and tax collection. The amount of infrastructure, which is the largest directly managed cost outside of Administration, is the same. Of the roughly \$2.5MM more in taxes, approximately \$280-300K per year appears to be attributable to Carling’s larger population and number of households. Of this, perhaps \$150K could be attributable to a larger fire department.

	2017	2018	2019	2020	2021	2022
Carling Protection	\$ 970,452.00	\$ 1,019,660.00	\$ 1,048,962.00	\$ 1,129,604.00	\$ 1,071,339.00	\$ 1,074,988.00
McKellar Protection	\$ 832,555.00	\$ 914,947.00	\$ 903,693.00	\$ 981,513.00	\$ 1,017,723.00	\$ 1,023,809.00
Whitestone Protection	\$ 764,752.00	\$ 904,185.00	\$ 1,020,693.00	\$ 947,076.00	\$ 933,362.00	\$ 929,716.00
Carling DSSAB	\$ 609,236.00	\$ 444,990.00	\$ 746,341.00	\$ 442,520.00	\$ 442,691.00	\$ 449,470.00
McKellar	\$ 284,879.00	\$ 284,151.00	\$ 286,198.00	\$ 286,873.00	\$ 286,030.00	\$ 289,814.00
Whitestone	\$ 253,009.00	\$ 255,746.00	\$ 260,080.00	\$ 262,573.00	\$ 262,259.00	\$ 264,531.00

Note that Carling contributes to the Parry Sound library and museum while the other two fund their own libraries. It is important to highlight that Whitestone, with the smallest tax base of the three, also manages to fund an after-school program, a road grants program (for unassumed roads), and a nursing station (it owns the land and building and pays for the snow-plowing). Carling provides none of those additional programs.

Another function impacted by volume of activity would be the Building Department. If Carling is seeing more new building than the other two, then perhaps that would drive Carling’s costs somewhat higher. However, that does not appear to be the case. Carling’s annual number of permits is about the same as Whitestone’s and McKellar’s.

	2017	2018	2019	2020	2021	2022
Carling # of Building Permits	130	111	129	106	179	118
McKellar # of Building Permits	104	116	124	125	131	86
Whitestone # of Building Permits	136	78	79	98	137	123

So, what explains the other \$2MM a year in taxation in Carling vs the others? There are two major areas that stand out: higher staffing costs and excessive reserves.

Staffing Costs Are High and Continue to Grow

It appears that Carling’s level of staffing is about 5-8% higher than the others. However, the total staff compensation costs have run about 30% higher (or about \$500K a year). This is a clear indication that Carling’s salaries and benefits are much higher for some or most of its positions. Carling’s wage increases seem to have been exceedingly generous in the past few years. Paying for “step” increases suggests that all long-term employees could eventually be paid at management levels and that existing management positions are being paid beyond market levels. Jobs at the municipalities are amongst the highest paid in the entire area with good pensions and benefits and are virtually recession proof. Why is Carling paying so much more?

Staff Compensation	2017	2018	2019	2020	2021	2022
Carling	\$ 1,599,691	\$ 1,599,837	\$ 1,722,145	\$ 1,801,196	\$ 1,859,303	\$ 2,001,208
McKellar	\$ 1,090,435	\$ 1,096,961	\$ 1,188,047	\$ 1,280,772	\$ 1,390,631	\$ 1,462,930
Whitestone	\$ 1,092,639	\$ 1,122,884	\$ 1,229,367	\$ 1,399,584	\$ 1,514,935	\$ 1,652,136

The higher cost per employee is also apparent from the data in the table below prepared from the province’s FIR database and Carling’s budget package (for 2023 and 2024). Average compensation per

employee includes the CAO’s for each municipality. Council members (5 for each township) were also included in the headcount for 2017 to 2022 since the breakout of Council costs from Total Staff Compensation was not available for Whitestone and McKellar. For Carling that data is included in the budget package; therefore, the average compensation for employees in 2023 and 2024 was calculated by excluding the council headcount and the related compensation costs (so the average compensation per staff member includes the CAO). According to the FIR data and the budget package, Carling is paying its staff about 20-23% more than McKellar and Whitestone. Note those averages include the part-time employees. Excluding those would increase the average compensation per employee slightly.

	2017	2018	2019	2020	2021	2022	2023	2024 budget
Number of Municipal Employees							(average comp/FTE ex. Council)	
Carling (inc. council + CAO)	20	22	20	21	20	20		
Carling PT	0	3	4	0	2	2		
Average Comp/employee	\$ 79,984.55	\$ 63,993.48	\$ 71,756.04	\$ 85,771.24	\$ 84,513.77	\$ 90,964.00	\$ 125,194	\$ 137,537
McKellar (inc. council + CAO)	15	15	17	18	16	17		
McKellar PT	4	5	1	0	0	3		
Average Comp/Employee	\$ 57,391.32	\$ 54,848.05	\$ 66,002.61	\$ 71,154.00	\$ 86,914.44	\$ 73,146.50		
Whitestone (inc. council + CAO)	14	14	18	19	19	19		
Whitestone PT	8	4	2	3	3	9		
Average Comp/Employee	\$ 49,665.41	\$ 62,382.44	\$ 61,468.35	\$ 63,617.45	\$ 68,860.68	\$ 59,004.86		

A review of the Sunshine List data also supports the observation that Carling’s staff compensation is much higher than the other two. According to that database, Carling’s average employee salary (the database shows 11 staff) was \$143K in 2022 reflecting an overall salary increase of 6.3%. McKellar’s average salary (14 staff) was \$111K in 2022 including 3.4% in overall raises. And Whitestone’s average per employee salary for 2022 was \$117K (15 staff), which included an increase of 1.9% over 2021. This data indicates Carling’s per head staffing costs are about 25% higher.

Wage increases have also been generous relative to the provincial average. According to the Ontario Jobs and Employment report for Q1 2023, wages for full-time jobs increased 4.8% vs Q1 2022. The inflation rate for 2023 was 6.5%. The CAO stated during his 2023 budget presentation to Council that staff would not be receiving an average increase at the level of inflation; yet the total increase from 2022 to 2023 was 14.8%. There may have been one additional headcount in 2023 (no FIR or budget data on headcount is available for 2023); if so, then the increase would likely be about 9.5%. Most importantly, another significant increase of 9.3% in total staffing costs is proposed for this year.

Staffing Costs	Total	YOY Change
2021	\$ 1,859,303	
2022	\$ 2,001,208	7.6%
2023	\$ 2,296,881	14.8%
2024	\$ 2,511,267	9.3%

Excessive Reserves Continue to Build

Compared to Whitestone and McKellar, reserves have been running about \$3MM higher (usually more than double for many years). (2023/24 data for Whitestone and McKellar is not yet available on FIR.)

	2017	2018	2019	2020	2021	2022 act	2023	2024
Discretionary Reserve Fund Balance								
Carling	\$ 4,952,656	\$ 3,125,997	\$ 4,733,885	\$ 4,552,378	\$ 4,707,547	\$ 3,648,411	\$ 4,459,987	\$ 5,352,110
McKellar	\$ 1,447,868	\$ 1,538,337	\$ 1,856,265	\$ 1,111,705	\$ 1,512,400	\$ 2,394,013		
Whitestone	\$ 745,133	\$ 787,025	\$ 1,072,155	\$ 980,967	\$ 1,104,569	\$ 1,437,892		

This much higher reserve level is also apparent from the annual surplus (total revenues less expenses) as a proportion of total revenues (which includes grants, user fees, gas tax revenues etc). Carling’s surplus has been consistently double or triple that of the other two townships since 2018. The surplus is put into “Working Funds” discretionary reserves, which is a general and the largest reserve (\$1.4MM for 2023 and 2024). Prior to 2017, this reserve ran at a level of \$475K to \$800K. Since then, it has been doubled apparently to fund special projects years in advance of any discussion with the community or approval at Council meetings (e.g. \$1MM for new Community Centre in 2018; \$900K in 2022 for the new pool in Parry Sound with a new commitment to fund a \$10MM line of credit—our share is \$1MM plus about \$50K a year in interest).

Operating Surplus/Total Rev inc grants	2017	2018	2019	2020	2021	2022
Carling	15%	32%	33%	20%	21%	44%
McKellar	24%	9%	10%	4%	8%	19%
Whitestone	11%	-10%	23%	15%	1%	18%

According to the Town of Parry Sound in its budget presentation, a ratio of reserves to long-term debt of 1:1 is prudent. Carling’s ratio has been consistently running at more than double. Carling’s long-term debt has averaged \$2MM since 2017 at an average rate of about 3.6% per annum (\$16-20K in annual interest costs net of interest earned).

Reserves to LTD Ratio	2017	2018	2019	2020	2021	2022
Carling	179%	128%	224%	257%	299%	267%

Ratepayer Impact of Excessive Reserves

Apart from paying about \$130K in net interest on the debt over the past seven years to maintain these reserve levels, the most significant concerns arise from the lack of involvement of ratepayers in the decisions around the purpose and disposition of those reserves. How are such large investment priorities set and by whom (Council, the mayor, the CAO or the community)?

Using the Community Centre and Parry Sound pool investments as examples, we can see that the Township needed to put aside about \$200K per year over four to five years to fund those (at about \$1MM with another \$1MM now committed). Taxes were therefore increased by about 4% in 2016 and 2017 (2% more each year), which equates to about 3% on 2023’s tax revenues. As the reserves were drawn down, in 2018 and again in 2022, taxes were not reduced but rather maintained at that higher level, continuing to build reserves for the next set of projects. The Township has never disclosed that these undisclosed projects resulted in--what have turned out to be--permanent tax increases. So, this explains about \$1MM of excessive reserves. When will the Township stop filling its hidden “cookie jar” fund and return the 3% tax increase (i.e., drop taxes by 3%)?

The other contributions to comparatively higher reserves fund the periodic refurbishments or replacements of Township equipment and infrastructure, which is budgeted now to be \$3.8MM. Note that only \$168K are “obligatory” reserves required by the Municipal Act.

Much of the \$3.8MM is dedicated to equipment repairs (\$1.2MM) and the new fire hall (\$868K). The new fire hall reserve of \$868K was well discussed and appears appropriate as does the equipment reserve (but is there an opportunity to trim some of those expected future costs?). Since the other municipalities appear to have the same amount of equipment and infrastructure and Carling’s reserves have run at more than double for many years, the timing of major replacements and refurbishment does not appear to be

a factor. So, what explains the remaining difference? Are the other reserves appropriate and absolutely necessary?

The remaining \$1.8MM or so is spread amongst many smaller reserves. There is effectively no restriction on the use of reserves because Council can pass resolutions to use one or more reserves for any purpose. Is Carling's stuff really that much more expensive to replace or refurbish? There may be excessive amounts spread across these reserves. Each should be scrutinized in detail with a view to reducing or eliminating any that are not considered absolutely necessary.

One that stands out as unnecessary at \$228K is the Henvey Inlet/Pattern Energy Windfarm reserve. Pattern Energy, the co-owner and operator, pays each of four townships, including Carling, \$50K a year over 20 years. There is no restriction on the use of those funds (confirmed by the CEO of Pattern Energy), and indeed none of the other three municipalities book it to reserves. It could have been used to pay for any township expense and so should be reversed and returned to the ratepayers through a tax reduction (e.g. Seguin uses its receipt to maintain part of its trail system). The explanation of this reserve includes that the "goal is \$1,000,000" by 2039. For what? This is a perfect example of a reserve set aside for no defined or publicly disclosed purpose. That represents a 1% tax increase that could have been avoided.

Carling's comparatively high levels of reserves should be reviewed in detail prior to approving the budget with the objective of reducing and returning unapproved and non-critical amounts to the ratepayers through tax decreases. Those reserves are sitting in cash and near-cash (e.g. GIC's) with at least \$1.2MM held for years at time for no publicly discussed or agreed purpose. Our taxes have therefore been running 4-5% higher than necessary just to fill the "cookie jar".

Unexplained Cost Differences Remain

Of the \$2.5MM in higher taxes, the above analysis explains about \$1.1MM a year (\$300K related to additional DSSAB/Protection Services, \$500K in higher staffing costs, and \$250K or more in contributions to excessive reserves for the cookie jar, and \$50K into the windfarm cookie jar). So where is the rest of the difference of \$1.4MM a year? According the table below, compared to McKellar, Carling is paying about \$1MM a year more for something called "General Government"? For further reference, Whitestone's "General Government" expense was \$505K in 2022 and \$270K in 2021. Council and the ratepayers should understand what accounts for this large difference. If it relates to the building of excess reserves (i.e., through this line), then that would not explain the difference in total expenses and related taxation since that amount has already been identified above.

It is interesting to note that "Transportation" costs are about the same, which is to be expected given the similar amounts of road infrastructure in both townships. (Health and Social Services were compared above under the DSSAB analysis showing the impact of Carling's larger population/number of households.)

Total Annual Expenses - McKellar vs Carling						
	2020		2021		2022	
	McKellar	Carling	McKellar	Carling	McKellar	Carling
General Government	\$ 152,514	\$ 1,009,088	\$ 145,276	\$ 1,132,096	\$ 160,961	\$ 1,149,780
Protections to Persons and Property	\$ 981,513	\$ 1,129,604	\$ 1,017,723	\$ 1,071,339	\$ 1,023,809	\$ 1,074,988
Transportation	\$ 2,013,576	\$ 1,469,185	\$ 2,154,061	\$ 1,763,744	\$ 1,897,121	\$ 1,946,216
Environment	\$ 315,816	\$ 437,549	\$ 304,111	\$ 266,267	\$ 310,590	\$ 345,384
Health and Emergency Services	\$ 262,120	\$ 367,137	\$ 302,780	\$ 374,623	\$ 281,568	\$ 403,476
Social and Family Services	\$ 403,484	\$ 605,607	\$ 344,520	\$ 588,471	\$ 384,001	\$ 572,892
Social Housing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recreation and Cultural Services	\$ 327,287	\$ 376,413	\$ 287,613	\$ 407,762	\$ 358,475	\$ 459,446
Planning and Development	\$ 130,530	\$ 178,157	\$ 167,648	\$ 191,994	\$ 135,353	\$ 187,700
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 4,586,840	\$ 5,572,740	\$ 4,723,732	\$ 5,796,296	\$ 4,551,878	\$ 6,139,882

So, what is in “General Government” and why does it cost us so much more?

Questions and Suggestions to Council

Again, why are Carling’s ratepayers paying so much more than Whitestone and McKellar for what appears to be about the same amount of infrastructure and services (and possibly fewer services)?

The Township should consider a different approach to building reserves, one that is based upon fully discussed, disclosed, and approved projects. The community should be fully informed and involved in setting priorities for major projects and provided a complete accounting of the initial and ongoing tax impact. While council members have explained in the past that excessive reserves are necessary to support applications for certain grants, the problem remains that some of those projects are not adequately discussed with or disclosed to the community in order to determine priorities. To reiterate, the present approach provides no disclosure of the tax impact of setting aside reserves for projects that may or may not be priorities for the community, and this is something that needs to change: the cookie jar should be eliminated.

To address staffing costs, Council should review the organization structure including specific job positions and pay scales. An action plan should be developed to reduce overall staffing costs over the next few years. That should include a change in policy to prevent over-paying of each position along with career counselling plans. For immediate attention, Council should consider capping staff compensation and approving no increases in the 2024 budget.

For major projects and investments, all ongoing costs including reserve requirements should be included in the proposals to Council and disclosed to ratepayers along with the tax implications. Annual reserve contributions are based upon a number of factors including the initial cost. For example, a new kitchen with high-end appliances and marble countertops will require higher annual reserves to pay for the eventually needed renovations. The investment decision should not focus just on the initial cost and ongoing operating or maintenance costs but also on reserve requirements.

It seems clear that Carling has a serious problem with over-taxation. Our Council should review the budget closely and set some defined cost-cutting objectives that target tax reductions of 3-4% over the next few years (as opposed to yet another tax increase).