



Box 298, 65 Joseph St.
Port Carling, Ontario, Canada POB 1J0
Phone (705) 765-5723 Fax (705) 765-
3203
E-mail info@mmla.on.ca
Website www.mmla.on.ca

Mayor and Members of Council
Township of Muskoka Lakes
1 Bailey Street, P.O. Box 129
Port Carling, Ontario POB 1J0

February 10, 2021

Via email

Dear Mayor Harding and Members of Council:

Re: Township of Muskoka Lakes 2021 Municipal Budget

Thank you for the opportunity to review the proposed budget for 2021. The MLA represents over 2,000 families in the Muskoka Lakes area and we regularly survey our members about issues that concerned them and taxation continues to be a major issue for many.

Any discussion of budgeting must be prefaced by acknowledging that in 2020, a worldwide pandemic was and still is having a profound impact on the economy, with the service industry being particularly hard hit. It is unlikely that the summer of 2021 will be much different than the summer of 2020. As of January 30, 2021, only 0.30% [1] of Canadians have been fully inoculated, while widespread reports of reduced vaccine shipments and the threat of new virus variants makes it doubtful life will return to normal in 2021. The true extent of the impact to the economy will likely be felt in coming years with federal and provincial governments now heavily indebted and exposed to any increases in interest rates.

For most of 2020, municipal facilities were closed to the public, restrictions were placed on construction activities, no public events were held, which was further exacerbated by a substantial reduction in overall local commerce. **For 2020, township expenses increased by 1.47% [2A] or greater than twice the rate of inflation for Ontario of 0.65% [3].**

For 2021, expenses are budgeted to increase by \$1,656,106 or 10.60% [2B]. Given relief from the pandemic is not expected before the end of the year, the MLA would appreciate an explanation of the rationale for such a significant increase in spending.

[1] - 0.30% of the population has received second dose necessary for adequate protection, source: Canadian Government website as of January 30, 2021 <https://health-infobase.canada.ca/covid-19/vaccination-coverage/>

The 2020 budget was approved on May 13, 2020, two months after the WHO declared a worldwide pandemic [4], with a levy requirement of \$12,285,251 [2], which has been collected through property taxes. Both revenues and expenses came in below expectations, resulting in \$12,285,251 - \$11,625,222 = \$660,029 [2] in taxes collected above the actual levy requirement. The MLA appreciates the challenges of forecasting in such an unprecedented environment. Accordingly, the MLA believes it would not be unreasonable to consider applying this unexpected surplus to 2021 expenses, particularly with the economy not expected to start recovering before 2022.

The MLA is concerned that the practice of presenting budget over budget comparisons is misleading to taxpayers. The 2021 budget as currently presented, highlights a Required Tax Levy increase of \$304,417 or 2.48% over the 2020 budget [2C]. We believe a comparison of proposed **2021 budget expenditures** of \$17,286,938 to 2020 actual expenditures of \$15,630,832, or **an increase of \$1,656,106 or 10.60%** [2] presents a clearer picture of the planned increase in spending to assess the budget by. Similarly, a comparison of the proposed **2021 budget levy requirement** of \$12,589,668 to the actual 2020 levy requirement of \$11,625,222, or **an increase of \$964,446 or 8.30%** [2], presents a truer picture of the tax burden increase.

Figure 1 below illustrates cumulative TML municipal tax increases versus inflation in Ontario. **Over the past ten years, taxes have increased by 75.5% versus inflation of 20.9%. TML taxes have increased at more than 3.6x the rate of inflation.**

[2] - 2021 Draft Operating Budget Appendix 1, page 1 or page 2, bottom two rows.

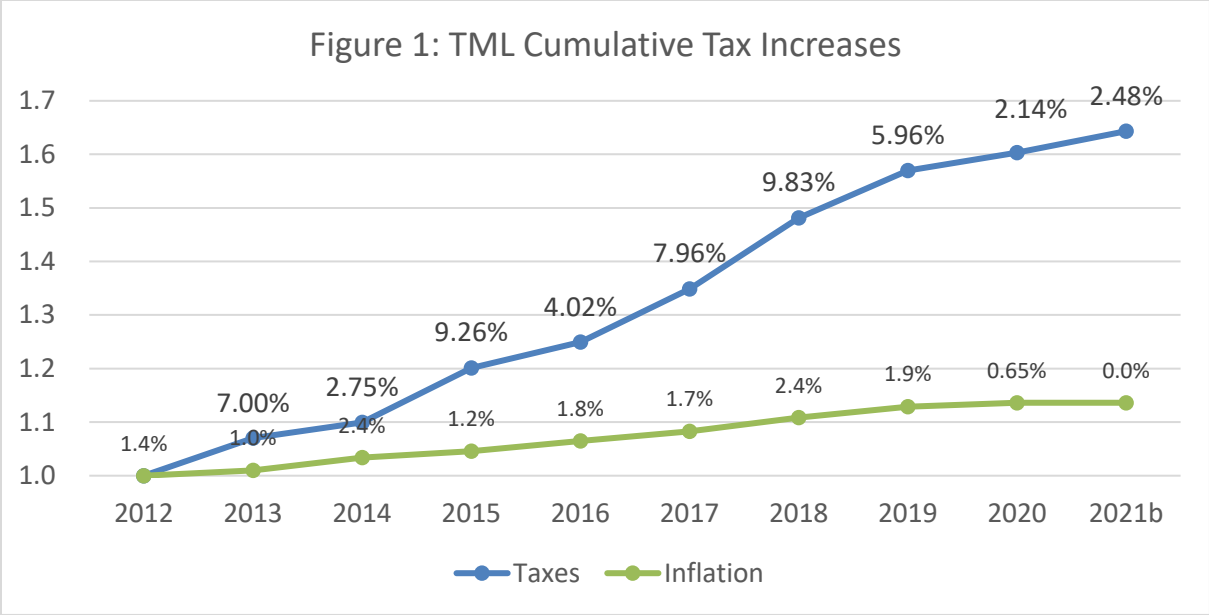
<https://muskokalakes.civicweb.net/FileStorage/A6BAA927A1B64038976FB1EA29C52AB9-Appendix%20I.pdf>.

[2A] - Total Expenses 2020 actual versus 2019 actual: \$15,630,832 / \$15,404,709 = 1.47%. [2B] - Total Expenses 2021 budget versus 2020 actual: \$17,286,938 / \$15,630,832 = 10.60%. [2C] - Levy Requirement 2021 budget versus 2020 budget: \$12,589,668/\$12,285,251 = 2.48%.

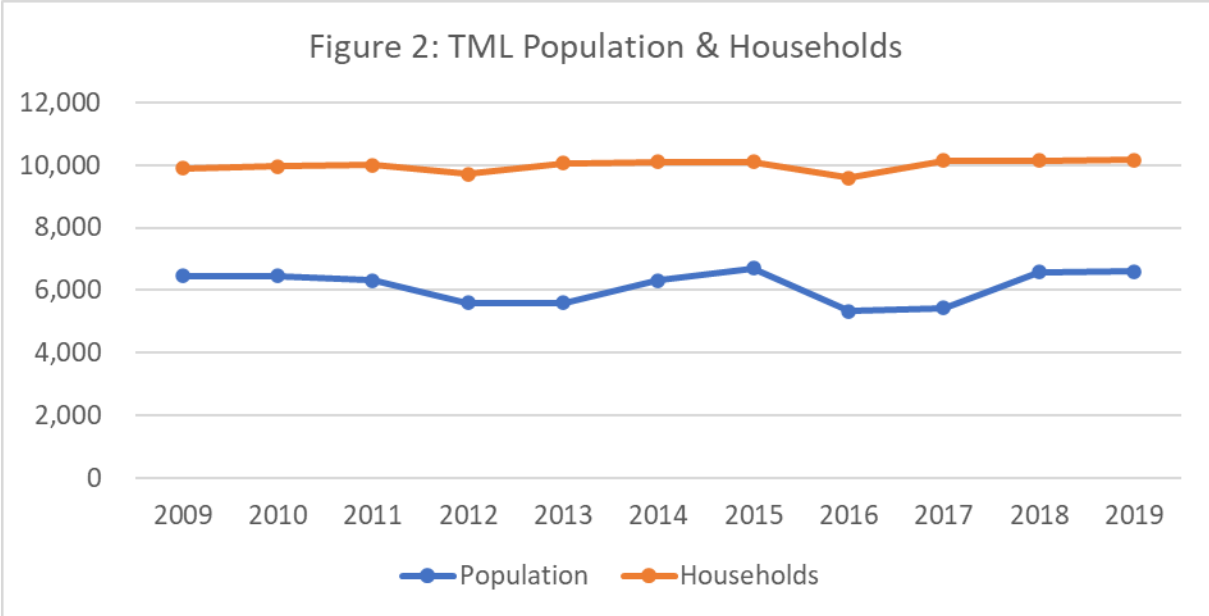
[3] - Statistics Canada: 2020 Ontario All-Items 0.65%

<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000501>

[4] <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020>



As shown in Figure 2, there has been minimal growth in the population, number of households or kilometers of roads to maintain in the township for many years. In light of this, the MLA would request an overview of how the cost to provide this service has changed so substantially over this period.



Facilities and Services

In the proposed 2021 budget, over 26 pages [5] were devoted to detailing the need to hire an additional 6 staff with an anticipated increase to taxes of over 2.8% [5] above what is already being proposed. The MLA would appreciate a similar in-depth study on the use and full operating and capital expenditures of TML's many facilities and services to provide a complete picture to taxpayers of the cost to provide these services.

For example, the MLA has previously detailed [6] that the township with ten fire stations [7], which contributes to 15.2% of TML's 10-year capital budget [8], has significantly more capacity than any other municipality in Muskoka. For comparison, Huntsville and Bracebridge each have two fire stations. Similarly, the township has 13 community centres and arenas [9], which account for 10.0% of TML's 10-year capital budget [8]. We recognize the importance of these facilities, which account for 25% of the capital budget, to the local community but also realize that they must be properly staffed and funded to provide acceptable levels of service and programs. Perhaps there might be opportunities to maximize efficiencies of service while being mindful of the increasing burden on taxpayers.

Capital Budget Reserves

A shortfall in capital budget is often cited as a reason for tax increases including this year's proposed increase of \$3.5 million. In order to properly support the need for increased contributions to reserves, it is important that reserves are solely used for capital purchases and not to fund operating expenses. On page 1 or 2 of the detailed budget appendix [2] at the top of the table, \$350,000 from a transfer from reserves is treated as a source of operating revenues. Similarly, in Table 4 of the budget review under Obligatory Reserves, "Parkland Dedication" is listed as a budget reserve item. As we have indicated in past MLA budget review letters to council (2015 – 2020), TML has confirmed that Parkland Dedication is not related to parks, lands associated with parks, or any sort of dedication ceremony, yet continues to be listed as a reserve. The MLA would appreciate understanding the use of the \$570,000 outflow from Parkland Dedications as shown in the table 4 of the agenda report [10] and reconciliation with the lower amount of \$350,000 shown as a source of revenue.

[5] - <https://muskokalakes.civicweb.net/FileStorage/16073570C6C54778952BBE40E640D3B5-Appendix%20III.pdf>

[6] - 2020 MLA budget letter dated April 23, 2020.

[7] - <http://muskokalakes.civicwebcms.com/content/muskoka-lakes-fire-department>

[8] – 2021 TML 10-year capital budget, page 1.

[9] - <http://muskokalakes.civicwebcms.com/content/community-centres>

[10] – Special General Finance Agenda Report, page 12, table 4.

TML's Tax Rate

Fifteen years ago, in 2006, the lower tier property tax rate for TML was 0.0008769 compared with 0.0026400 for the provincial education property tax rate. For 2021, TML is proposing a lower tier tax rate of 0.0012484 or an increase of 42% over fifteen years. Coincidentally, the education tax rate for 2021 is 0.0015300, a decline of 42% over that same period. The cost of education in Ontario has not declined, it has simply increased less than the increase in property value. **In TML, property taxes have exceeded the increase in property value by 42%.**

This budget calls for the 2021 tax levy to increase by 2.48%, which is less than prior years, but still more than 3x the rate of inflation in Ontario over the past year (0.65%) and more than 3x the increase in assessed property values for 2021 (0.75%).

Alternatively, there is an opportunity to hold the tax rate flat and stop increasing the burden on taxpayers by reducing the spending in this budget by 1.75%.

Closing Thoughts

There is a misperception amongst some that all cottagers in Muskoka are extremely wealthy. No doubt some are, but they are a small minority. Property taxes are the single largest expense in owning a recreational property and is increasingly becoming unaffordable to those that bought properties years ago when taxes were much more reasonable. As a result, an increasing number of properties, which have been in families for decades, if not generations, are being sold largely due to the high property tax burden.

The MLA would also appreciate the township revisiting previous plans to establish a Budget Committee to provide members of the public an opportunity to participate and gain insight in to the budgeting process.

We trust that our comments have been helpful and are happy to discuss our thoughts further.

Yours respectfully,



Deborah Martin-Downs
President, MLA



Dayle Hogg
Director, Budget Chair