

A few days ago, I read a post in WBN&CG, written by Matt Duffney. It was in fervent support of the arena/library project. He suggested that the Town was financially in fantastic shape, with reserves of \$70 million. Matt’s post seemed mostly anecdotal and was lacking financial details. In this post I will provide some opinions, facts and budget data from the Town and fill in some missing financial details.

The Town spending is funded through three, what I will refer to as “Pots”.

Pot #1 is the **Obligatory Reserve Fund**. By definition, “These are Reserve funds that are required by legislation or agreement to be segregated from the Town's general revenues for a special purpose, or for works to be undertaken on behalf of the contributor”. Typical uses for these funds in our Town would include critical infrastructure needs such as waste and fresh water, major road work, Parks and Recreation, storm drainage and parking, to name a few. These **Obligatory reserves are restricted and not to be spent on any other items**, such as the library and twin-pad arena. It’s rumoured that this Pot is falling short and the gap between full and empty is shrinking. The rumours are true.

Pot #2 is the **General Reserves**, which are funds meant for general use. Council decides on where this money should be spent and the majority rules. The mayor, assistant mayor and council members (6 of 7 in WB) decided that the Arena/Library was so desperately needed, that they decided on a plan to drain the General Reserves to partially pay for them, to the tune of around \$26M. \$1M has already been spent prior to breaking ground. The rest will be due, along with a lot more borrowed money, to the contractors and developers of the project when it is complete. The General Reserves Pot is also falling very short, as the gap between full and empty is shrinking.

Pot #3 – Discretionary Reserve Funds – Unrestricted. Unrestricted includes the Library, Library Donations and Subdivision plans.

What is the status for these Pots? In summary, all three are significantly below their 2021 opening balances:

Fund Description	Opening 2021	Closing 2021	Difference, %
General Reserves - Unrestricted	\$ 39,394,975	\$ 28,799,925	23
Obligatory Reserves - Restricted	\$ 20,512,515	\$ 5,930,774	70
Discretionary Reserve Funds- Restricted	\$ 465,379	\$ 428,129	8
Total All Reserves	\$ 60,372,869	\$ 35,158,828	42

The Most important thing to consider here is that all the Pots have low balances. **The General Reserves 2021 final balance does not include the initial \$26M that will be drawn to pay down the Arena/Library costs. The \$33M loan to pay the outstanding project balance, nor the \$3M that will be borrowed to pay for the Main Street bridge repair cost overruns are shown here.** Here are the SIT project details:

Projects						
ID	SIT Project ID	Project Name	Construction/Purchase Start	Construction/Purchase End	Project Cost	OILC Loan Amount
1469	1	Main Street Bridge	04/19/2019	06/01/2021	\$7,637,393.00	3,000,000.00
1470	2	New Arena Library	07/21/2021	03/31/2023	\$61,772,268.00	33,500,000.00

By-Law Number 2019-86 shows the following information about the Town’s plans to borrow:

By-Law 2019-86	Description of Capital Work	Estimated Expenditure	Loan Amount
2019-86 Resolution CC-07-03-2019	Main Street Bridge	\$7,637,393*	\$3,000,000
Original By-law	New Arena/Library Building Includes \$1.8M for cashflow funding of recoverable HST amounts	\$61,772,269	\$33,500,000
2020-64			
Amended Bylaw 2021-05			
* Original planned estimate was \$5,600,000			

How will low General Reserve fund balances impact town residents?

Here is one impact - Town repairs to the Main St. bridge, originally budgeted at 5.6 million, have skyrocketed to over \$7.6 million. The Town is borrowing \$3M to pay for the repairs, which means that \$4.6M came directly out of somewhere, maybe the General Services POT. Other projects that were planned include: \$10m on the River Rd. widening (to a wider 2-lane??) and \$12-13m to complete the River Road 4-lane widening. The planned project to widen Sunnidale Rd to 4-lanes is to accommodate the almost 7000+ new residents (2800 units) and 3600+ vehicles that will travel along Sunnidale Rd. in the next few years. Rumour also has it that all of these projects and perhaps others are on hold. Imagine all this single lane traffic dumping onto Mosely on a nice hot summer, or a cold snowy winter day.

Here’s Another - Without doubt there will many years ahead with the Town spending more money, at an increasing pace, under rapidly escalating costs. Interest payments on \$36.5M in loans will pose a huge burden (~\$17M) and those are not the only loans on the go. Tax increases are in the plans (>7%), as reserves will be low for the foreseeable future and they need to be funded somehow. In summary, the General Reserve funding drain may explain why infrastructure projects are being delayed, reduced, if not completely cancelled.

Here’s another - General Reserves shortfalls, caused by the Arena/Library project point us directly to the reasons why the Town is pushing so many high-density housing projects onto the residents of Wasaga Beach. For each housing unit the developer pays a levy, which in turn is used by the Town to pay for costs associated with the subdivision: Police and Fire Department needs, infrastructure costs, administrative costs, etc. A portion goes to the Town Pots. It is rumoured that the Town will dig further into the levies to fund the General Reserves, but that won’t be nearly enough. So, will less be invested in the new developments to pay for the Library/Arena? The debt is complicated by the fact that we have almost no industrial base to collect taxes from to help bear this burden. More loans maybe?

In summary, the plan seems to be a rob Peter to Pay Paul and then borrow to pay Peter back (Over and Over again) approach to managing Town finances and the reserves. How can The Town catch up and also fulfill commitments if they have to keep spending in excess of revenue and then try to fund that spending with loans? In summary, the very low balance in the General Reserve will impact the Town in numerous ways, all of them negatively.

The plan to pay for all of this spending and shortfalls - Details:

It is abundantly clear that the Town doesn't have anywhere close to enough money in the Pots for an arena/library complex, as promised. What will they do to cover the massive shortfall? Their plan is to borrow \$33m on a long-term loan to pay the remainder owing for the Arena/Library when the construction is finished. This long term \$33m loan will likely garner an (3+%) interest charge, which could cost over the lifetime of the loan, in the neighbourhood of \$17m. Short term the Town needs to borrow even more to pay for the Main St. bridge repairs now estimated at 7.6 million. There are maybe 12 – 14,000 tax paying residents in Wasaga Beach to pay off this debt! Does this seem doable even with a big increase in taxes and more loans?

What is net the impact of the Arena/Library spending on taxpayers?

Debt Items	\$ Millions	Category
Committed to Arena Library	26	\$2M Arena/Library budget, \$1M already used, \$26M from General Reserves
General Reserves Shortfall	26	Has to be replenished somehow: Taxes, development levies, donations (pittance)
Main Street Bridge Loan	3	\$3M to be loaned. 1.5M above budget has been spent.
Final Payment Arena/Library	33	To be paid by taxpayers with long term loan
Construction overages - 15%	9	Conservative estimate, based on \$60M 2018 costs, now significantly higher
Loan Interest, 3%	17	Estimated interest on long term loan
Cortolucci donation	-1	Town donated ~\$4.7M to Zancor for pickle ball courts, other parks and facilities
Total Debt	\$87M	Estimated total cost for arena/library and Main Street bridge repair.

The arena/library spend and loan fiasco is a recipe for financial disaster in the Town of Wasaga Beach.

So, why didn't the Town wait for the next annual round of Provincial funding for these projects?

Ontario Municipalities have waited patiently for funding, lobbied their cases and done so responsibly, respectfully and professionally. They have been rewarded. Sault Ste. Marie has recently partnered with the Province of Ontario:

Ontario Investing Over \$18M in new \$25M Twin-Pad Arena.

<https://lakesuperiornews.com/News/ontario-investing-over-18-million-in-new-twin-pad-arena>.

This is a clear and concise example of what happens when a Town works cooperatively with the province to fund a project to improve their Town. Our mayor's combative relationship with the Provincial Government can't be a good thing. Positive relationships with the Provincial Government are important and petty grudges, divisive.

In summary, Mayor and council have decided to move at full speed forward, with a very costly stop on the way to visit some money lenders. At the same time, they chose impatience and to shun funding from the Provincial Government. Shame on them for perpetrating this reckless financial disaster. The Arena/Library project is being described as a "legacy" project by the Town and they are asking for

donations to help pay for it. They won't ask if you want a tax increase next year and probably for years to come after that. But be prepared, because its coming. And what will the "legacy" be? A Town in deep debt, with an underused and costly arena/library, a dismally boring downtown and waterfront, a lot of new residents jammed onto small lots with a lot of extra cars packing the 2-lane roads around town and a Town full of unhappy people who are paying higher taxes for services the majority will never use.

Write to them, email them, write letters to the press. Take action. And most importantly,

Vote them out.