

DISCUSSION PAPER

A Study of Budget Trends & Analysis Indicates

Owen Sound is Slowly Dying

from years of successive annual tax increases

Abstract

This paper is designed to stimulate interest and discussion on the topic. It is not intended to provide all of the solutions but rather open the door for meaningful, community discussion and critical analysis. It provides a historical review and analysis of the Owen Sound's Operating Budgets from 2011 to 2020 which was the primary focus of the study.

The study relied on the city's audited financial statements posted on the city's website. As well statistical data posted on the Statistics Canada website was used for recent comparison studies of population and wage trends. Data compiled by BMA Consulting Inc. and posted on various public websites was also used to compare Owen Sound to other municipalities.

The study was somewhat hampered by the lack of transparency and missing data on the city's website. Currently the public cannot access minutes from past meetings due to the failure of the agenda/minutes calendar. As well, neither the 2021 budget, nor the 2021 audited financial statements are available online. The links to the 2021 budget produces the 2022 budget. In addition the study found many inconsistencies in financial data posted data which included conflicting budget data for the 2022 budget.

For those who might think that there is a hidden motivation for this Paper, rest assured, my motivation in bringing this to your attention is solely a sincere belief that Owen Sound can once again become the thriving municipality that it was when I left town to join the navy fifty years ago. And in case you're wondering I have NO intention of running for Council. I see this discussion paper is the extent of my public duty. It will either strike a chord with taxpayers and become the genesis of change or it will accompany our city in its slow death that is certain to occur if these successive annual tax increases are allowed to continue.

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Executive Summary

Owen Sound Taxes increased at more than twice the rate of inflation between 2011 and 2020 and on average are increasing by \$915,000 per year. The City's revenue from taxes was \$22 million in 2011 and will be \$38 million by 2028. Our city ranked 103 out of 108 Ontario municipalities for high taxes. Four of the municipalities that had higher taxes were all in the Northern Ontario where municipalities face unique challenges.

The Impact of years of high taxes increases is crippling Owen Sound. Our high taxes are driving the population to adjacent municipalities and there is some evidence that a few businesses have migrated to Georgian Bluffs - McDonald's Flower Cart for example. Over a 20 year period the population of Meaford grew by 10.63%, with a growth rate of 45 residents per year, Georgian Bluffs grew by 9.61%, with a growth rate of 38.38 residents per year, while Owen Sound grew at only 0.68%, with a declining growth rated of -2.36 residents lost each year. At this rate there will be a time in the future when both Meaford and Georgian Bluffs are larger than Owen Sound.

The number of residents filing income taxes on wages in Collingwood grew by 5.51% while the population of wage earners in Owen Sound contracted by 2.13%, between 2017 and 2020. Owen Sound has the unique distinction of being one of the highest taxed communities in Ontario and at the same time one of the poorest communities. Wages in Owen Sound are one of the lowest in Ontario. An Owen Sound wage earner pays 10.72% of their wages on property taxes while wage earners in Midland, pay only 8.67% of their wages on property taxes. As well if your property taxes were \$5,000 per year in Owen Sound they would only be \$3,920 in Meaford.

Major contributors to excessive budget growth in 2022 were Transit Services, City Administration. The City Manager's Office grew by 71.9% and Transit Services grew by 52.8% in 2022 alone. Sadly the Transit budget was constructed based on information from the existing provider and not from results of an RFP. As it turned out the winning bid for an RFP, which was disclosed a few weeks after the budget was approved, was actually lower than 2021 prices. This meant that the increase in the transit budget and hence a large portion of the 2022 Budget increase, was completely unnecessary. Why wasn't the RFP process concluded before the budget process?

Another example of excessive budget growth was the Art Center whose budget grew by 77.3% in only 4 years. Council approved second study, at a cost of \$30,000, to justify committing up to \$30 million for a new building for the Art Gallery – a service that is valued by less than 8% of the population. Instead of providing the Art Gallery with a \$30 million new building, to resolve their space issues, the study recommends that staffing be rolled back to 2017 levels and that the city sell the tens of millions of dollars tied up in the art collection. The proceeds from the sale could then be invested and the annual interest from the investment could be earmarked for addressing the homeless problem through a Housing-First initiative and holding the line on tax increases.

The paper concludes that to break this cycle of excessive budget growth the city needs to immediately introduce Zero-Based Budgeting at city hall – i.e. start each budget year with a clean sheet of paper.

Section 1 - Past Tax Increases – what happened between 2011 and 2020

Taxes Growth Past and Future

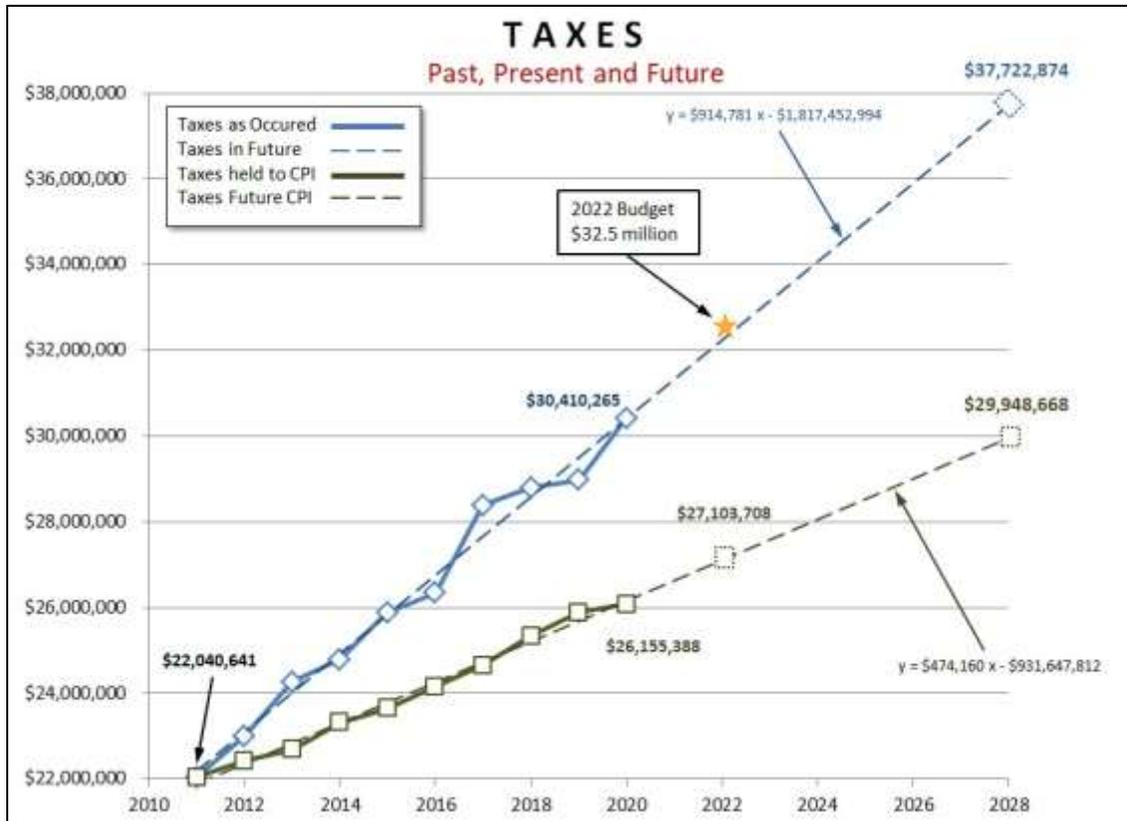


Figure 1; Taxation Growth – Past, Present and Future

The revenue from taxation increased by \$8.4 million, or 38%, over the fiscal years 2011 to 2020. For comparison the Consumer Price Index (CPI) increased by only 18.3% during this same period.

As shown in Figure 1 above, the increase in revenue from taxation was fairly linear from 2011 to 2020. This greatly increases the confidence in a linear projection of tax revenue into the future as shown by the dashed lines. This linear projection, or Trend Line, shows that revenue from taxation has been increasing steadily at an average rate of \$914,781.00 per year.

The 2022 tax revenue in the approved 2022 budget is \$32.5 million which is shown on the graph by the yellow star. This represents an increase of slightly over \$2.1 million from 2020. It's noteworthy to see that this lies slightly above the trend line which has a projected value in 2022 of only \$32.2 million. This is an indication of the accuracy of the Trend Line. Therefore we can say with some degree of confidence that if Council continues on the path of increasing taxes at the same rate, the city's revenue from taxation will reach \$37.7 million in the next 6 years or \$15.7 million greater than it was in 2011.

If, in 2011, Council had directed that all future tax increases be limited to inflation, then revenue from taxation in 2020 would have been \$26,155,388 or \$4.3 million less than what actually occurred as shown by the green line in Figure 1. When we project this into the future it gets even more dramatic. If inflation continues at the same rate and if tax increases had been capped at CPI in 2011, then taxes would reach \$29,948,668 by 2028 which is actually \$2.5 million less than what they are today.

A large part of the reason why tax increases seem to climb exponentially is the compounding impact that annual increases have on the end result. For example, a hypothetical council imposes a tax increase of 3% to a \$20,000,000 budget in year one resulting in a new budget of \$20,600,000 or an increase of \$600,000. If it again imposes a 3% increase in year 2 the new budget would be \$21,218,000 or an increase of \$618,000. In other words the dollar value of the budget grows a little bit faster every year even if the percentage budget increase remains the same at 3%. That is because the percentage increase each year is not only applied to the original budget but also to all previous increases of past years. The net result is that even if the percentage increase remains the same each year, the size of the budget grows exponentially.

Expense Growth Past and Future

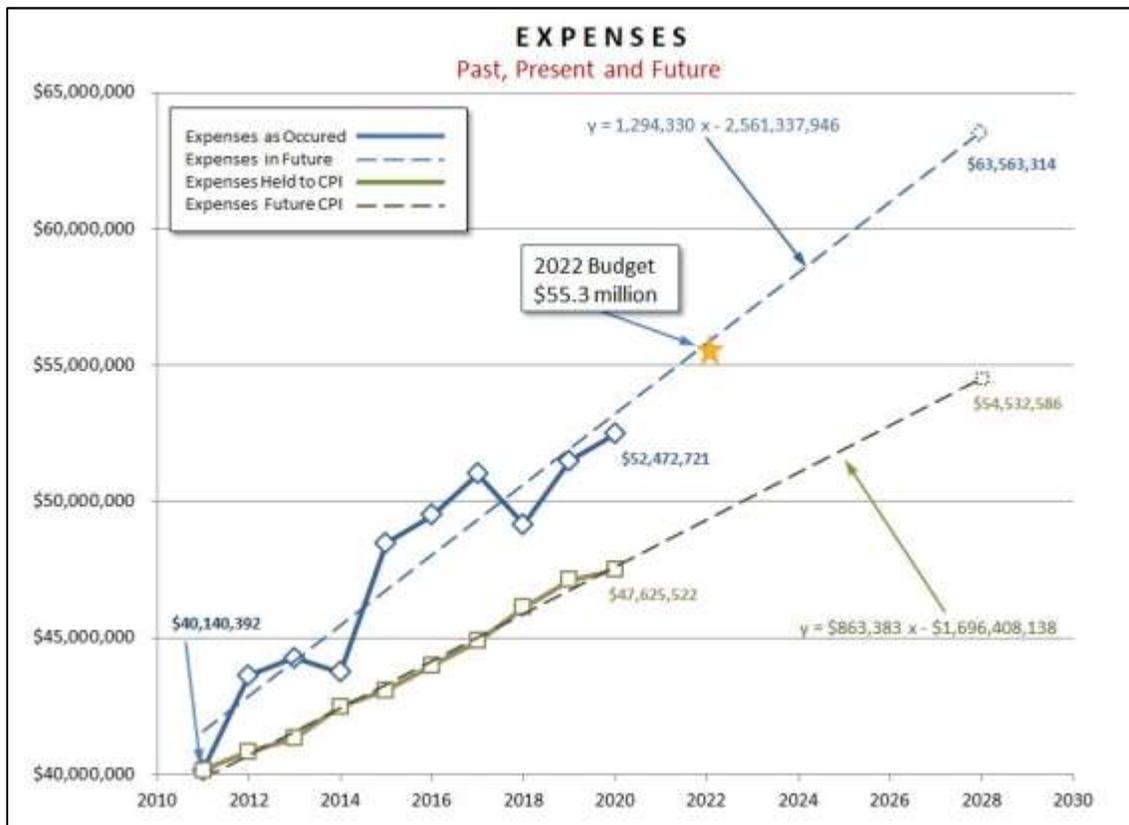


Figure 2; Expense Growth - Past, Present and Future

Expenses increased by \$12.3 million or 30.7% over the study period. This was well beyond the 18.3% increase in the Consumer Price Index (CPI) for the same period.

As shown in Figure 2 above, the increase in expenses followed a relatively linear path during the fiscal years 2011 to 2020. The linear projection of expenses, shown as dashed lines, into the future shows that expenses have been increasing steadily at a rate of nearly \$1.29 million per year. If Council continues on this path, expenses are projected to reach \$63.5 million in the next 6 years. This represents an increase of \$23.5 million from the \$40.1 million they were in 2011.

To verify the accuracy of our projection we can use the equation for Trend Line, shown on the chart, to calculate a point on the Trend Line for 2022. The projected result for 2022 is \$55,797,314 which is very close to what council approved for 2022 which \$55.3 million, This is shown on the chart in figure 2 with a gold star.

Expenses and Selected Revenues

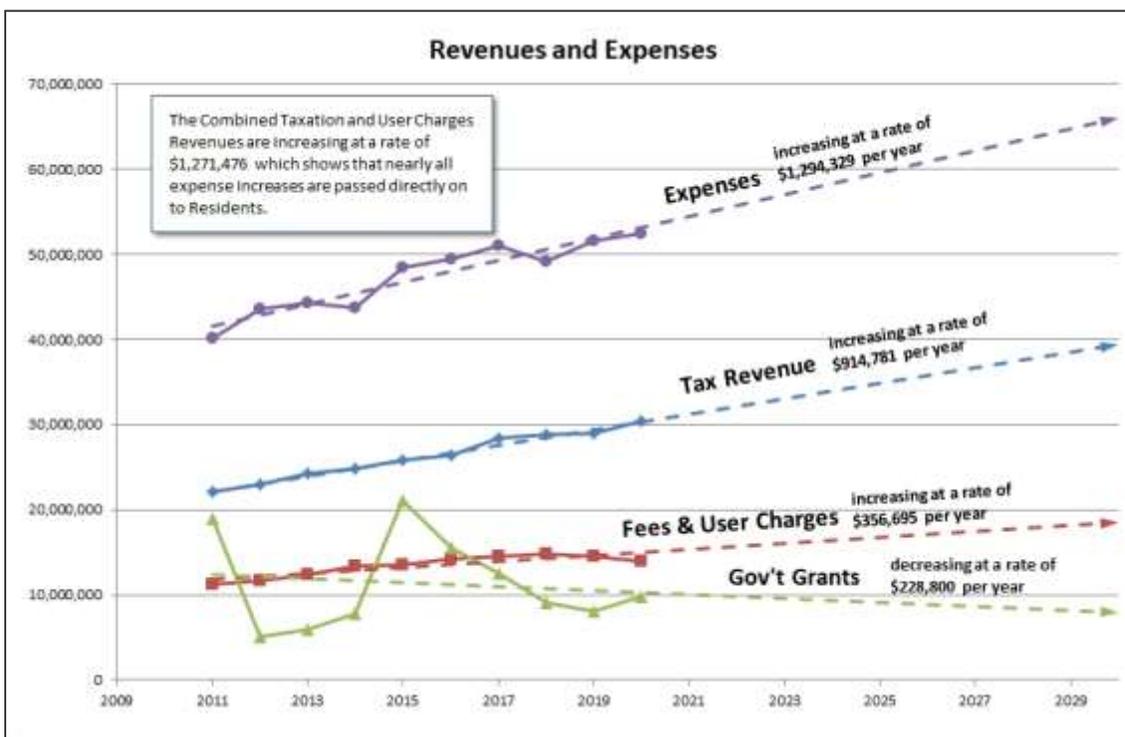


Figure 3; Expenses and Selected Revenues

Figure 3 shows that Total Expenses are increasing at a rate greater than revenues. Of all revenues, Revenue from Taxation is growing at the fastest with a rate of \$914,781 per year. When we add the revenue growth rate from Taxation, to that from Fees & User Charges we get a combined growth rate of \$1,271,476 per year which is just slightly less than the rate of increase for Expenses. From this comparison, we see that it is reasonable to conclude that nearly all of the annual increases in Expenses have been routinely passed on directly to Residents.

It is also interesting to note, although revenue from government grants is steadily decreasing, at a rate of \$228,800 per year, it does not account for the steady increases in Taxes. Even when government

grants were at an all-time high, taxes were still being increased by Council. It would seem that taxes are arbitrarily increasing every year independent of government grants.

Total Expenses per Resident

Owen Sound’s population declined in 2011 and again in 2016 based on data published by Statistics Canada. The 2021 census shows that the population rebounded slightly to 21,612. Although this represented an increase from the previous census it was still slightly less than the population from ten years earlier in 2011 of 21,688.

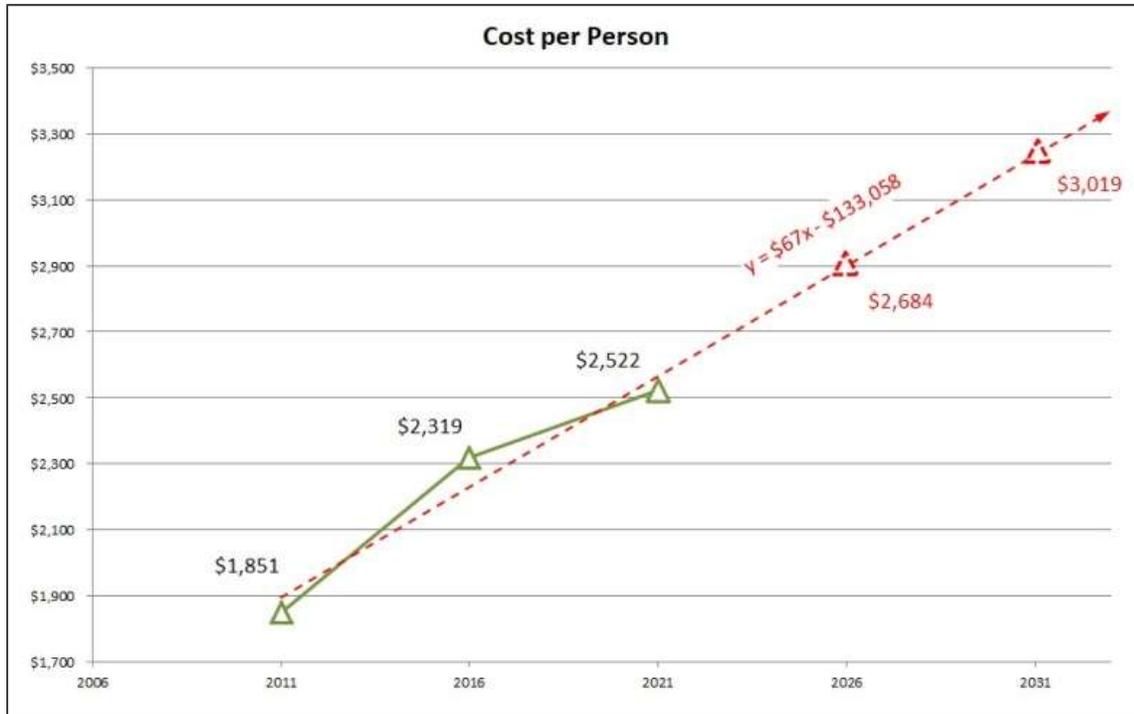


Figure 4; Owen Sound's Expenses Per Resident

Owen Sound’s Census data is available at the following links (also see Annex D)

<u>Stats Can 2006</u>	<u>Stats Can 2016</u>	<u>Stats Can 2021</u>
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By taking the total expenses from Figure 2, for the census years and dividing it by the population data we can calculate how much it costs to run the city per person. As shown in Figure 4, the cost per person steadily increased from \$1,851 in 2011 to \$2,522 in 2021. This is an increase of \$671 per person or 36% over this ten year period. This is nearly double the rate of increase in the Consumer Price Index (CPI). The cost per person is increasing in spite of the population declining. According to Statistics Canada there are 141 fewer people in Owen Sound today then there were in 2011. Yet, the city is spending \$13.2 million or 32.7 % more today than they spent delivering the same services to a larger population in 2011.

If we examine the trend line for this data we can calculate the cost per person using the equation for the trend shown on the graph. $y = \$67x - \$133,058$. When we put the values in for x of 2016 and 2031 we get the estimated cost per person of \$2,684 and \$3,019 respectively. This 'Cost per Person' graph is another way of showing that the increasing cost of expenses was passed on directly to a declining population during the study period.

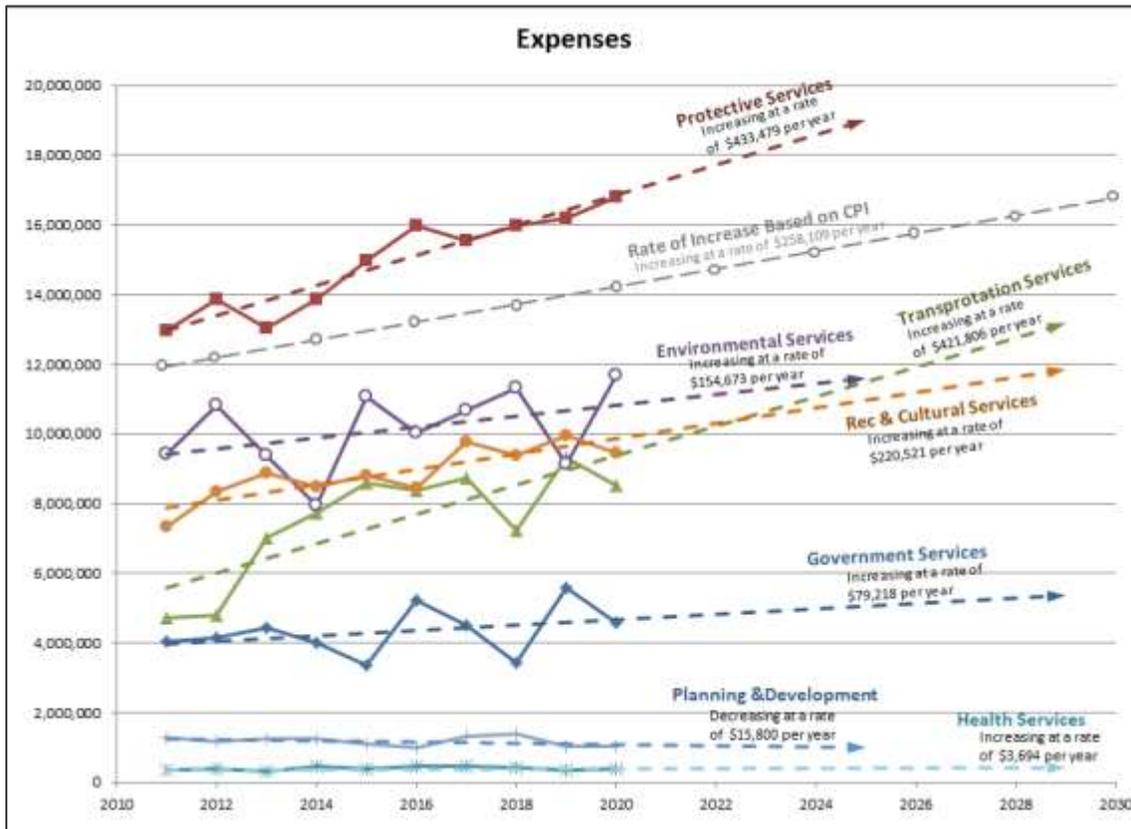


Figure 5; Department Expense Growth between 2011 and 2020

As shown in Figure 5 above, the vast majority of the expense increases are the result of the large annual increases that have occurred in two areas, Protective Services and Transportation. The cost of Protective Services has historically been increasing at an average rate of \$433 thousand per year and the cost of Transportation has been increasing at \$421 thousand per year. These two cost centers alone account for 66% of the total expense increase rate of \$1,294,334 per year.

The gray line shown in figure 5 is an indication of how inflation changed during the study period. Trend lines are shown by the dashed lines for each of department. Departments with a slope greater than the gray line are growing at a rate faster than inflation. Departments with a slope that is less than the gray line, such as Government Services are growing at a rate that is less than inflation. We see that in addition to Government Services, Planning and Development and Health Services showed only moderate growth during the study period.

Relative Growth of City Departments

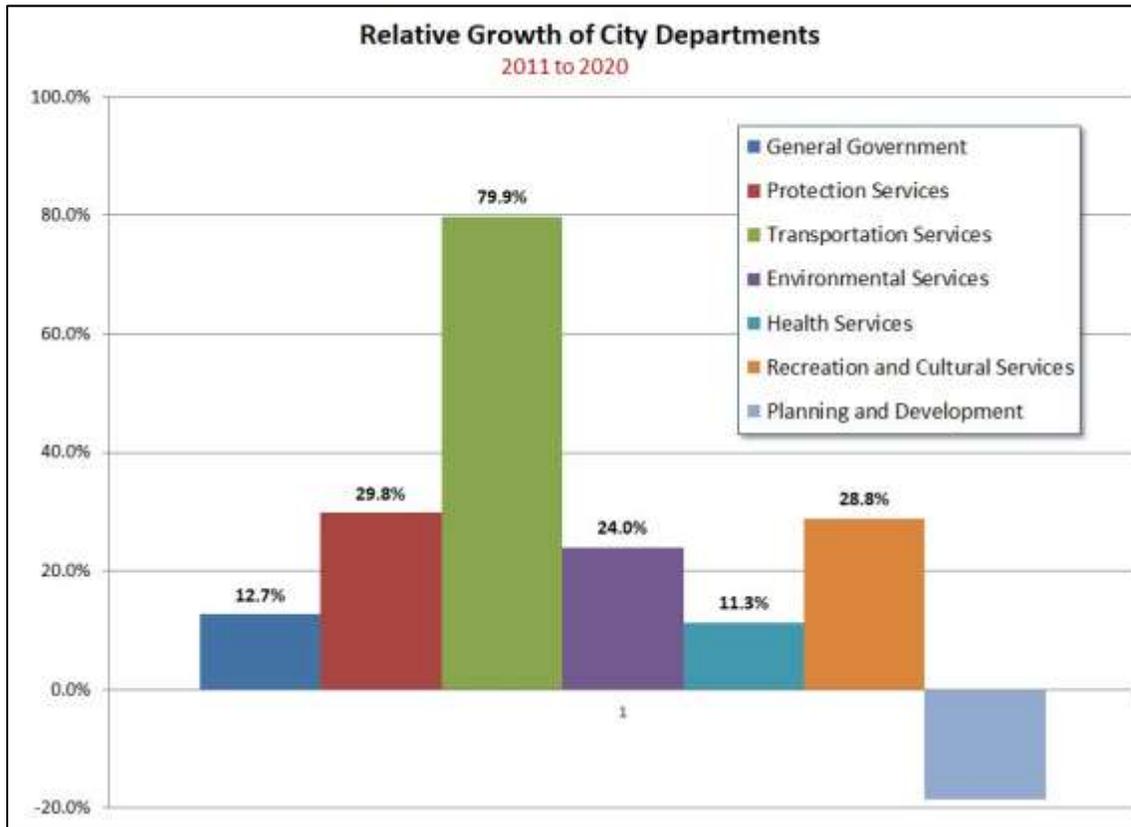


Figure 6; Relative Growth of Department Expenses between 2011 and 2020

Figure 6 gives us better understanding of how the cost of each department grew between 2011 and 2020. For example the fastest growing department, Transportation, cost \$4.7 million in 2011 and in 2020 the cost of Transportation was \$8.5 million. That's a growth of \$3.8 million or 79.9% during the study period. The next highest growth area was Protective Services which cost taxpayers 12.9 million in 2011 and \$16.8 million in 2020 for a net growth of \$3.9 million or 29.8%. Although Protective Services grew by only 29.8% the cost of this growth to taxpayers was nearly identical to \$3.8 million that Transportation grew during the study period.

In addition to Transportation and Protective Services there are two other areas whose growth exceeded the CPI growth of 18.3%. They are Recreational and Cultural Services at 29% and Environmental Services at 24%.

One area that stands out on this chart is Planning and Development, whose expenses are on track to decline by 20% annually. This could be a reflection of the population decline in Owen Sound that we will discuss in the next Section. Or, it could also be an example of an efficiently run department by a fiscally responsible manager.

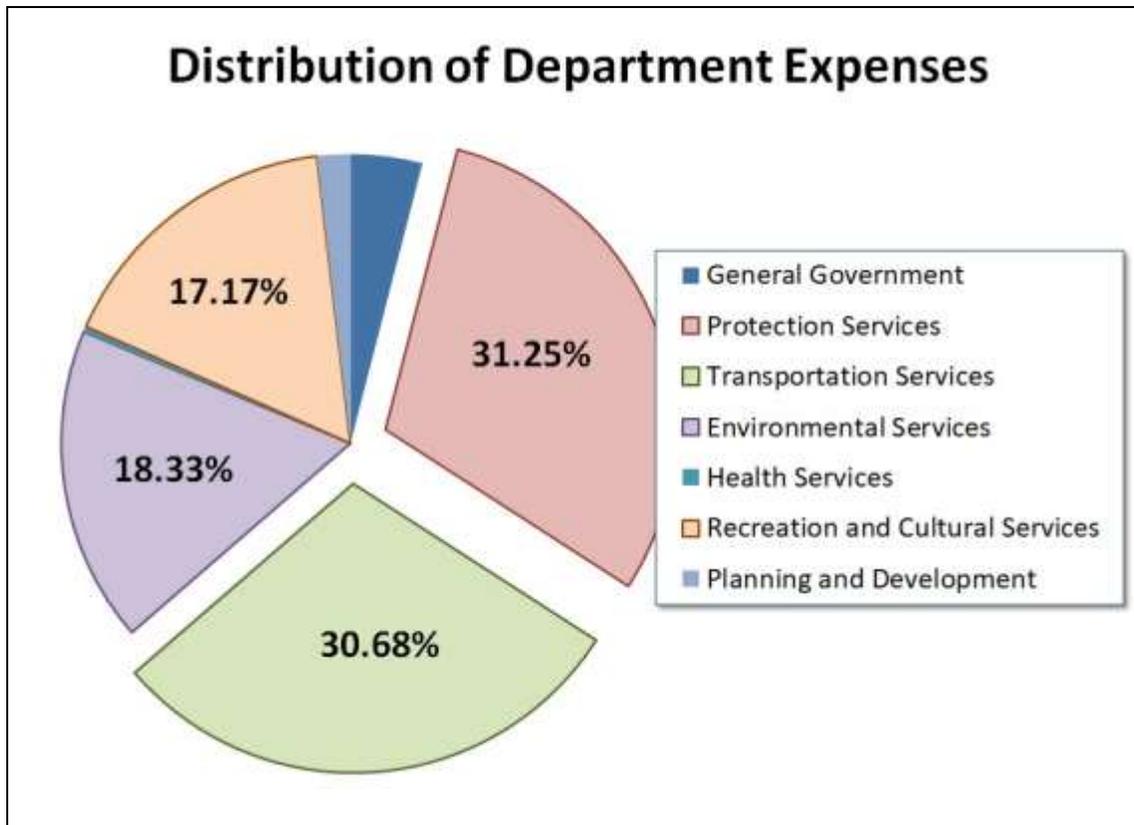


Figure 7; Distribution of Expense Growth by Department from 2011 to 2020

Figure 7 above, shows the growth in each department as a percentage of total expense growth during the study period. It’s interesting to note that two areas Protective Services and Transportation, dominate the chart. As we discussed above Transportation and Protective Services grew \$3.8 million and \$3.9 million respectively from 2011 to 2020. Together these two services accounted for 62% of the total expense growth.

Government Services, Health Services and Planning & Development are clearly not part of the excessive expense growth problem. Recreation & Cultural Services combined with Environmental Services were responsible for 35.5% of the growth during this period. These departments along with Protective Services and Transportation account for 97.43% of the growth in expenses from 2011 to 2020.



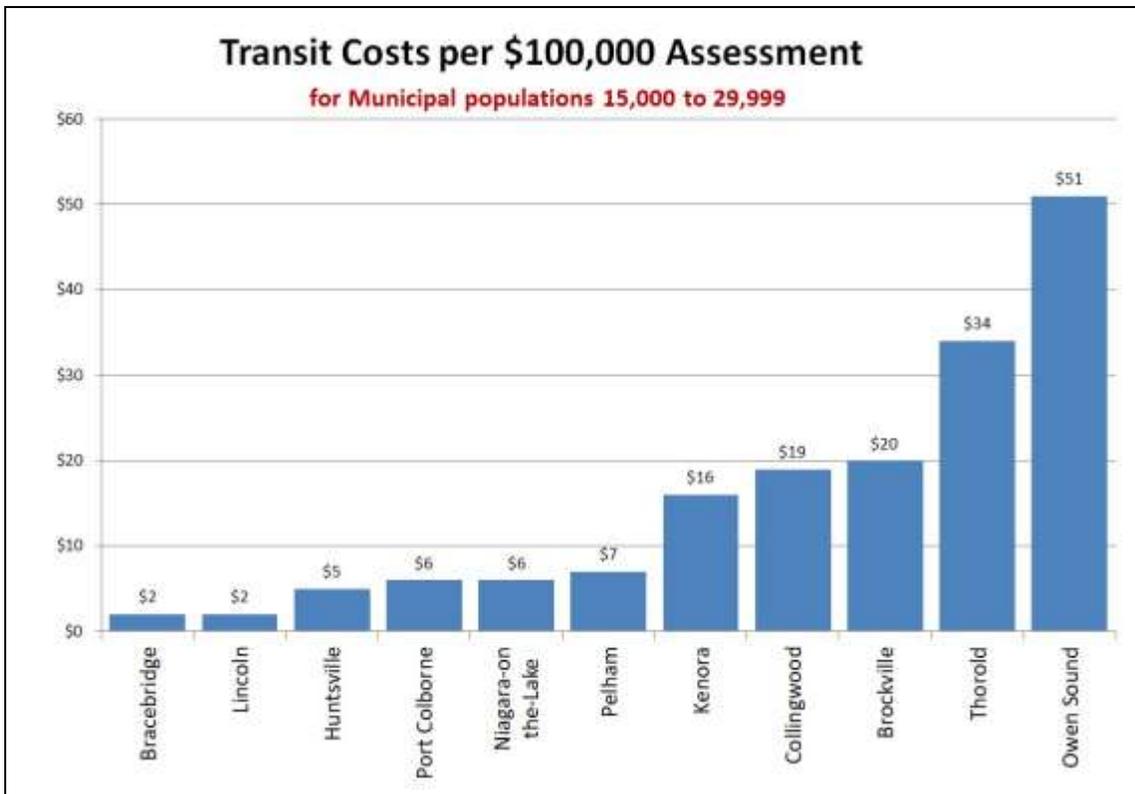


Figure 8; Transit Costs relative to Other Municipalities in 2018

Transits Costs Relative to Other Municipalities

Conventional Transit Service is one aspect of Transportation Services. Figure 8 shows how the cost of our transit services compare to similarly size communities. This suggests that the impact on the growing cost of transit services is that Owen Sound taxpayers are paying significantly more for conventional transit than any other similarly sized community on a per capita basis. We see that Brockville, a community with a population that is nearly identical to that of Owen Sound, can operate their transit system for only 40% of the cost that Owen Sound taxpayers pay. Perhaps an independent audit of all Transportation Services budget changes over the past five years will give some visibility into causes of the extreme growth in the cost that’s been occurring. Note: this data does not reflect the 52% increase in the Transit budget that Council authorized this year so today’s transit costs are much higher.

Summary of Past Growth in Taxes

Owen Sound taxes grew at nearly twice the rate of inflation between 2011 and 2020. Each year taxes grew on average by \$900 thousand for a total growth of nearly \$8 million during the study period. If Council had restricted tax increases to inflation taxpayers would have saved \$4 million dollars.

By far the department that grew the most was Transportation Services which grew by \$3.8 million or 79.9%. Also notable was Protective Services which grew by \$3.9 million which represented a growth of 29.8%. It is also noteworthy that in 2018 Owen Sounds Transit costs were significantly higher than similarly sized municipalities.

Section 2 - the Consequences — of Successive Years of High Tax Increases

All of the data and graphs above, including the established trends and projections can be easily reproduced and verified from the city’s audited financial statements available on the city’s website at www.owensound.ca a summary of which is at Annex A. The graphs below were produced from data that can be found on the Statistics Canada website and from a 2018 study by BMA Management Consulting at [BMA 2018 Municipal Study](#). Links to all of the data are available at Annex D.

The graphs in Section 1 presented a factual historical record of how past Councils allowed expenses to grow over the years and how Council’s decisions resulted in a pattern of exponentially increasing taxes. Now we will take a look at how these Council decisions have had unintended consequences on the city of Owen Sound.

Taxes UP and Wages DOWN

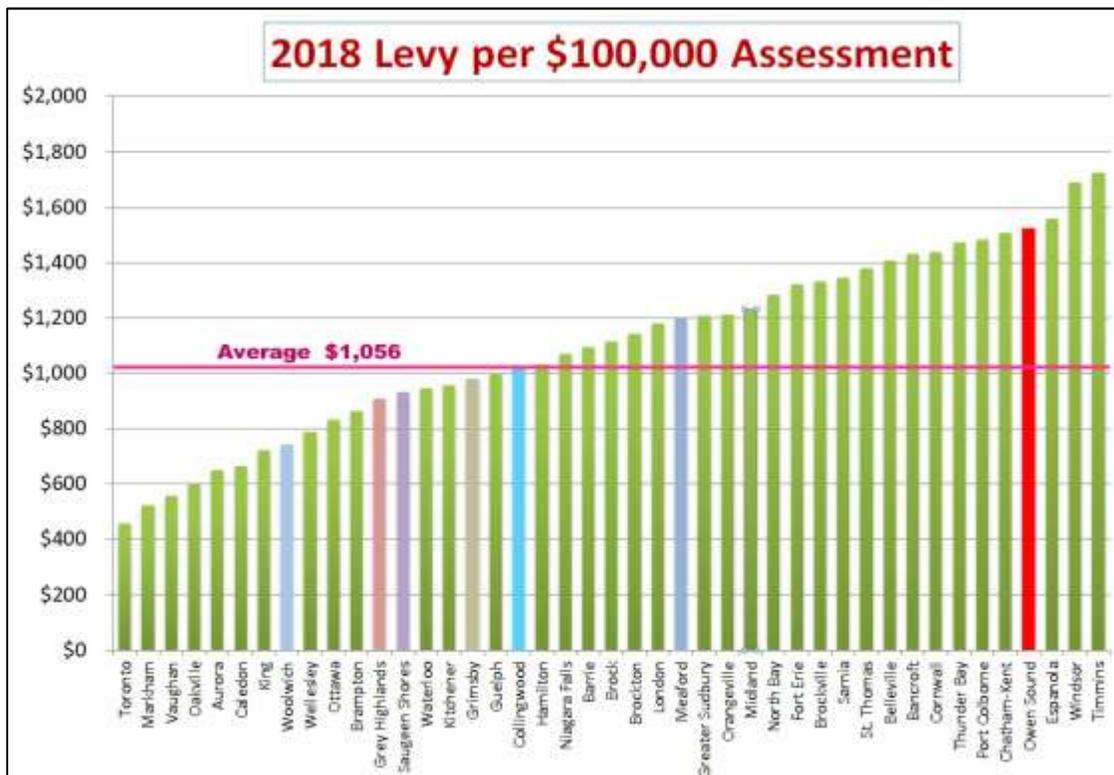


Figure 9; 2018 Comparison of Municipal Taxes in Ontario - [BMA 2018 Municipal Study](#)

One unintended impact of the abnormally high growth in the cost of delivering city services is that Owen Sound taxpayers are one of the highest taxed populations in Ontario as shown in figure 9. This graph uses data from the BMA 2018 Municipal Study which included 108 municipalities in Ontario. Of these Owen Sound ranks as 103 – pretty much leading the pack when it comes to high taxes. There are only

five municipalities that are taxed higher. Four of them are in the far north Timmins, Espanola, Elliot Lake and Greenstone. These northern communities have unique challenges that Owen Sound doesn't face.

So what does this mean for taxpayers? Well, if you were able to pick up your house or business and move it east of 28th Ave to the Town of Meaford, you would get a 22% tax rebate. Taxes in Meaford are only 78.4% of what they are in Owen Sound. For example if your property taxes are \$5,000 per year in Owen Sound you only pay \$3,920 in Meaford, so you would have an extra \$1,080 to spend on something other than taxes each year. Savings are even better if you were to move your house to Saugeen Shores where taxes are only 61.1% of those in Owen Sound. Therefore you would get a savings of about \$2,000 a year if you lived in Saugeen Shores.



One of the Highest Taxed in the Province

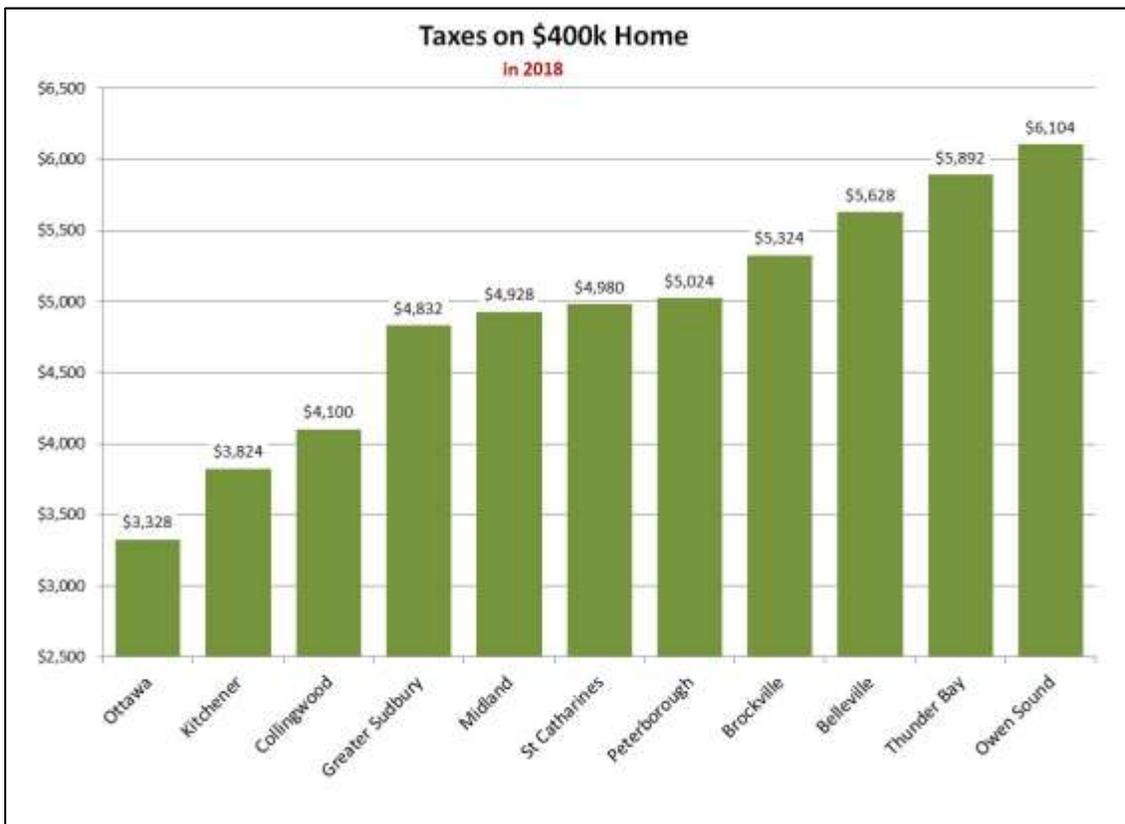


Figure 10; Taxes on \$400,000 Home - [BMA 2018 Municipal Study](#)

Figure 10 shows the real impact of high taxes that result from multiple years of excessive expense growth on a \$400,000 home, in comparison to other municipalities. For example, people moving to this area from out of province may be influenced by property taxes when considering homes in Owen Sound, Georgian Bluffs or Meaford. We can see above that anyone choosing to live in Midland would save \$1,176 per year over what they would pay in Owen Sound. Better still they would save \$2004 a year if they lived in Collingwood. There is no doubt that Owen Sound taxes are the highest in the area. High

taxes are one reason why Owen Sound seems to be slowly declining in many aspects – a deteriorating downtown core with empty storefronts for example.

One of the Poorest Communities in the Province

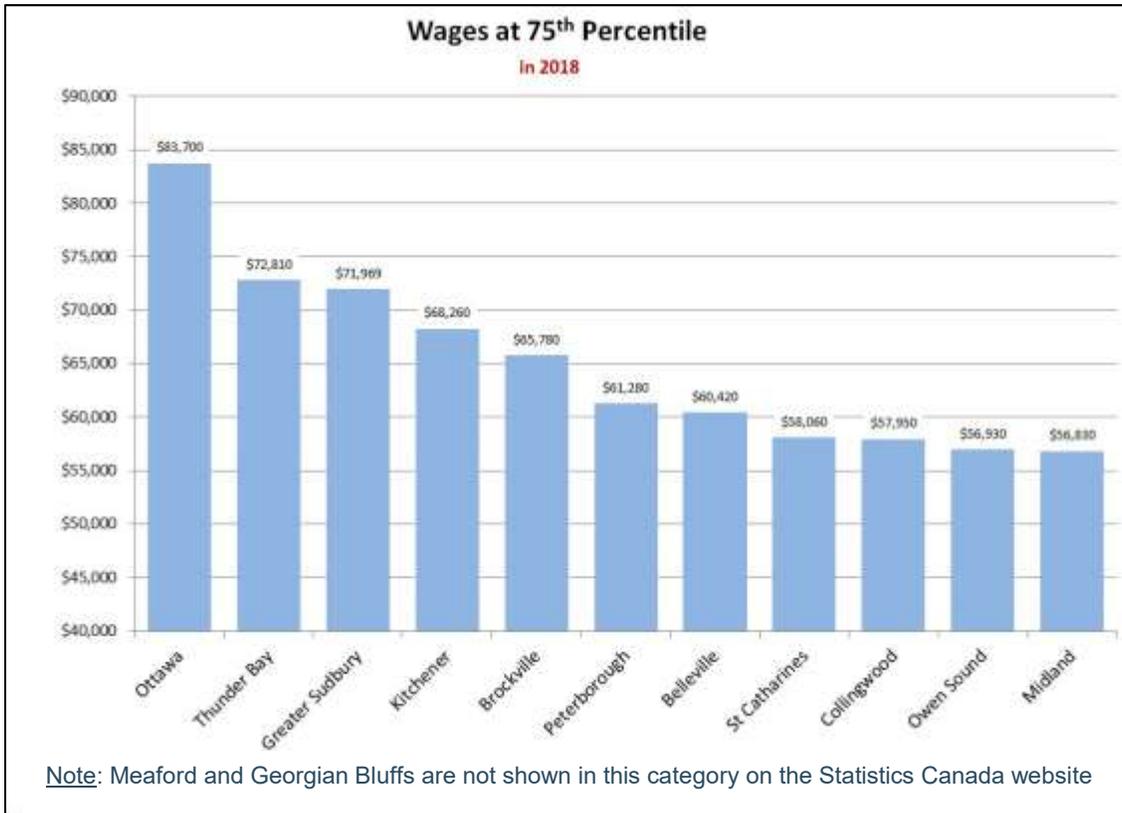


Figure 11; Wages at 75th Percentile source: [Statistic Canada](#)

As shown in figure 11, wages in Owen Sound are one of the lowest in sample group of municipalities. Wages are fairly similar for Owen Sound, Midland and Collingwood making taxes, as outlined before and shown in figure 10, the overriding factor in choosing a location to settle.

Now if we examine what percent of your wages that you have to pay in property taxes on your home we get a much better picture of the real impact of successive years of uncontrolled growth. Figure 12, on the next page, illustrates that property taxes represent a larger portion of Owen Sound taxpayer’s wages than any other community in the sample group. Residents in Midland actually have lower wages than Owen Sound residents but pay a far smaller portion of their wages to property taxes as shown below in figure 12.



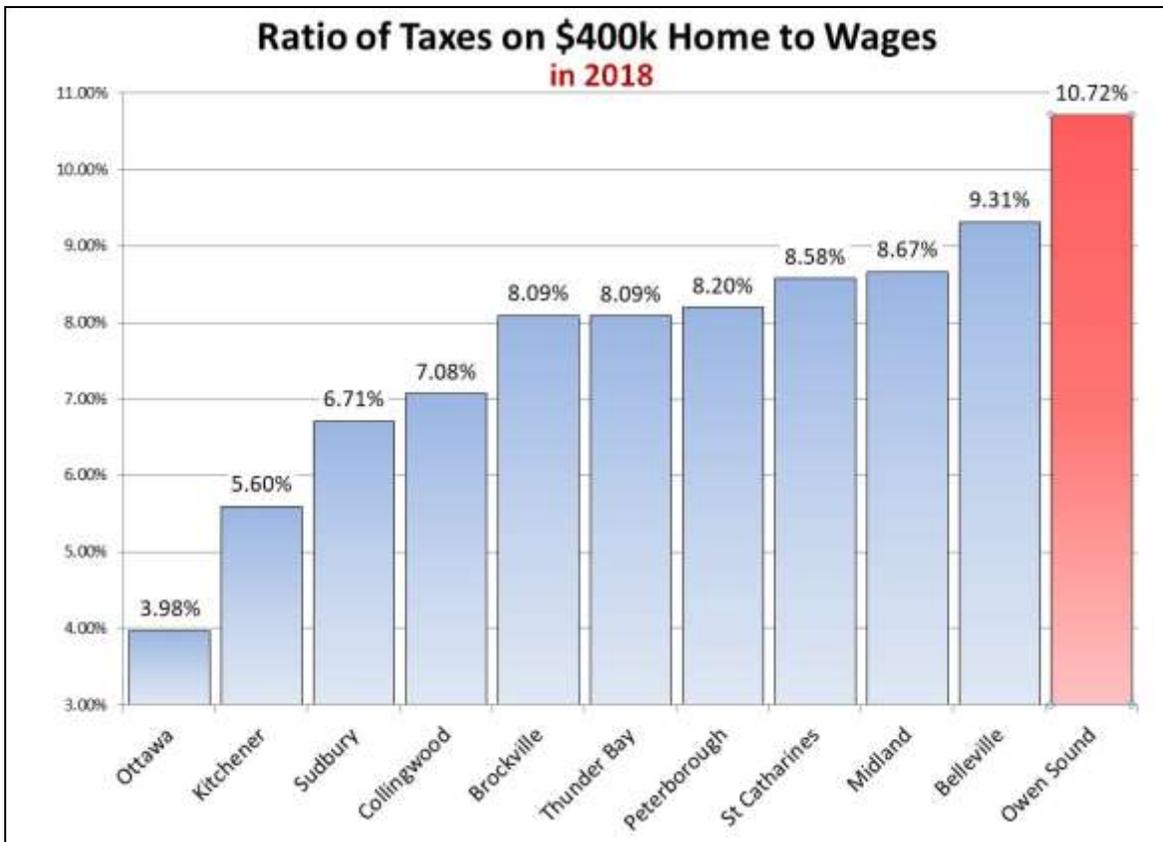


Figure 12; Taxes as a Percentage of Wages source: [Statistic Canada](#)

This demonstrates more than anything else the impact of years of uncontrolled spending has had on life in Owen Sound. We have the lowest wages with the highest taxes, and it is only getting worse because the population of wage earners is shrinking.

**Owen Sound is one of the Highest Taxed,
yet, one of the Poorest Municipalities in Ontario**

Owen Sound is Shrinking

Wage Earners are Leaving Us

One of the hidden impacts of the excessive growth in taxes that Owen Sound has experienced over the last twenty years is that people have been moving away. In all likelihood, they're moving just across municipal boundaries to reduce one of the growing strains on their family finances – high Owen Sound Taxes. After all they can continue to enjoy everything that Owen Sound has to offer while living in Georgian Bluffs or just East of 28th avenue in Meaford. They can continue to do all of this and reap the benefits of much lower taxes that Georgian Bluffs and Meaford has to offer. We can see this when we look at the change in those filing income taxes between 2012 and 2020 as shown in figure 13 below.

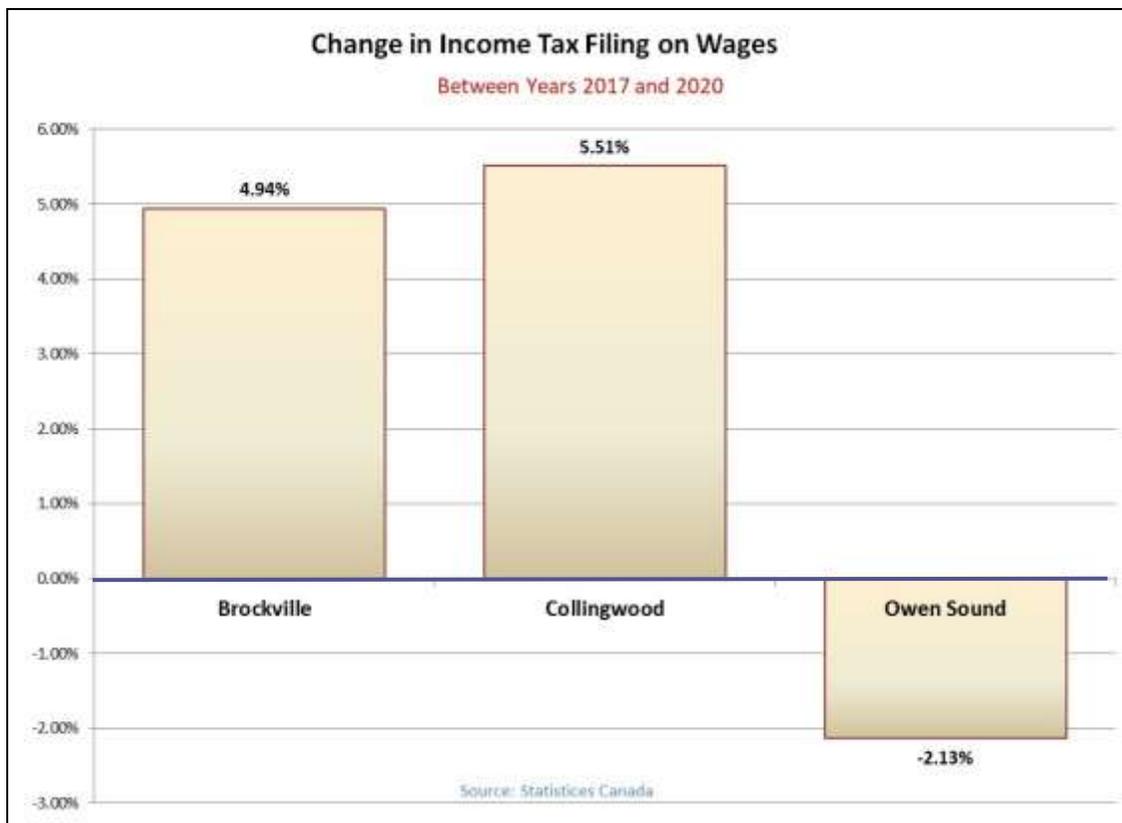


Figure 13; Shrinking Population of Wage Earners source: [Statistic Canada](#)

The population of those filing income tax on wages between 2017 and 2020 grew by 5.51% in Collingwood and shrank by 2.13% in Owen Sound as shown above. We are losing our wage earners. Where are they going? Wage earners are either retiring from the workforce or they are moving to other communities. Most are likely just moving across municipal boundaries to Georgian Bluff and Meaford. We can verify this by looking at the relative changes in population over the past 20 years for Owen Sound, Meaford and Georgian Bluffs as shown in figures 14 and 15 on the next page.

The Population is Migrating to Adjacent Municipalities

Figure 14, on the next page shows that Meaford grew by 10.63% followed by Georgian Bluffs which grew by 9.61%. Then we have Owen Sound, which grew less than one percent. Although this looks like Owen Sound is actually growing, albeit slowly, it really isn't. Take a look at figure 15 on the next page. It demonstrates the relative change in growth during this period. The trend lines (dashed lines) that extend to the next two census periods show where things are headed in the future. You can visually see that the plots for both Georgian Bluffs and Meaford are heading upwards. It is difficult to assess which way Owen Sound's growth is headed. So we need to look at the slope of the trend line which is given in the first part of the equation for the straight line which is: $y = -2.36x + 26,318$. We see that the slope is negative which means that the Trend line is headed down. Theoretically there will be a time when both Georgian Bluffs and Meaford have greater populations than Owen Sound. Just think about that for a minute – Owen Sound will be smaller than Meaford at some time in the future if things continue on the same path.

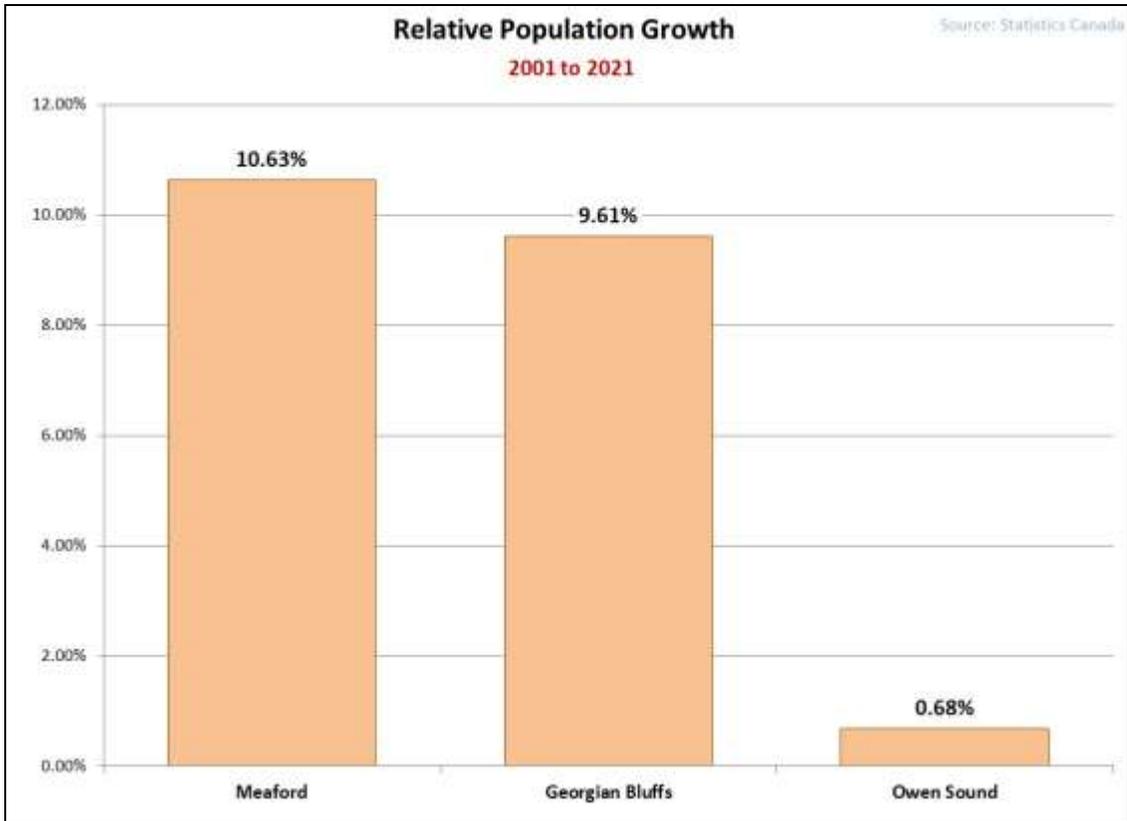


Figure 14; Shrinking Population over 20 year Period source: [Statistic Canada](#)

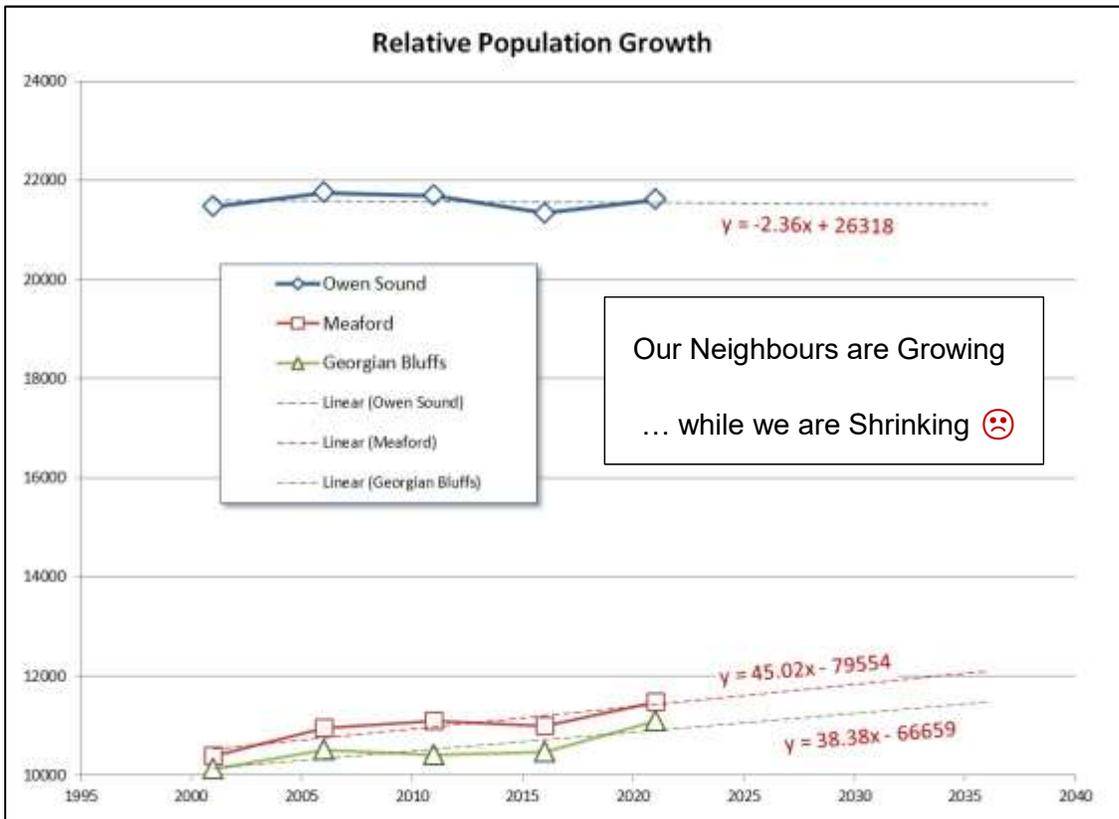


Figure 15; Shrinking Population Relative to our Neighbours source: [Statistic Canada](#)

Summary of the Impact of High Taxes

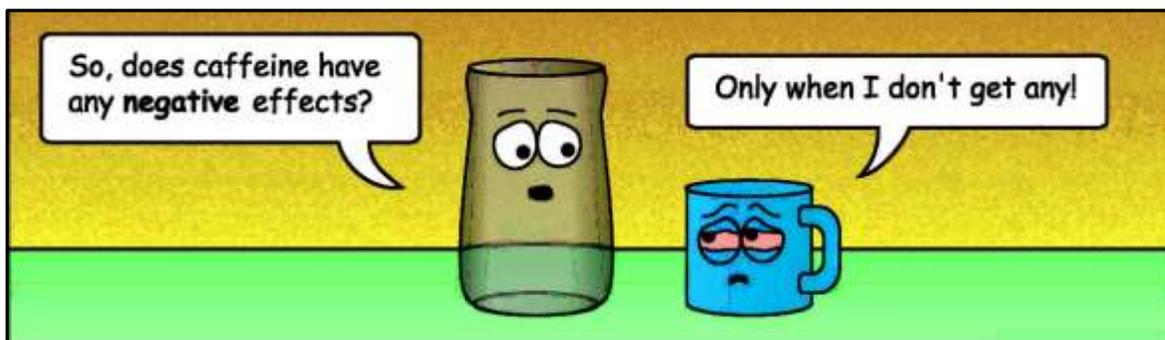
There are clear unintended consequences when a municipality raises taxes higher than its surrounding municipalities. Remember, a municipality is in the business of delivering services to its residents. If people can buy those services from another supplier they will. We are all on the lookout for the best deal available.



The facts are indisputable. Owen Sound is one of the highest taxed municipalities in Ontario and Owen Sound wages are among the lowest in Ontario. The combination of these statistics is that Owen Sound wage earners, who are home owners, are paying a much larger portion of their wages to pay for their property taxes. Renters are not immune from high taxes. Landlords routinely pass on tax increases to their tenants which puts extreme upward pressure on rents.

It's also indisputable that the number of wage earners in Owen Sound is shrinking according to [Statistics Canada](#). There is strong evidence that Owen Sound residents are moving across the borders to adjacent communities where they can "have their cake and eat it to". They don't lose access to the many amenities that Owen Sound offers its residents. They just avoid the high taxes.

There is another dimension to the migration problem that is; business migration. Statistics Canada does not provide any data on business migration. However I do recall some businesses moving to Georgian Bluffs. The most notable of these is McDonald's Flower Cart that had been located in the 100 block of 10th Street East. It moved to a newly constructed building in Georgian Bluffs a few years ago. Could the move be related to our high taxes or a rent increase due to taxes? Either way we lost this business to Georgian Bluffs. If you ever wondered why stores like Staples chose to set up shop in Georgian Bluffs that has a population of only 11,000 and avoided Owen Sound with a population of twice that, you may have just learned the answer.



Section 3 - Current Events – *the bad decisions continue to drive High Taxes*

So far we have largely confined our study to the period 2011 to 2020. This is solely because the Audited Financial Statements for these years are available for on the city’s website. The Audited Financial Statements give us a high level of confidence. However as currently constructed they do not provide sufficient visibility for us to see how individual department budgets are growing. However the city does have some information on their website for some departments. From these I was able to gain some insight into a few and it appears that the rapid growth in budgets is more extreme in some areas. For example, I was able to compile sufficient data on the Art Gallery, Transit Services, and found a couple examples of extreme growth in the 2022 budget and I’ll discuss each of these in the following paragraphs.

Art Gallery Extreme Budget Growth

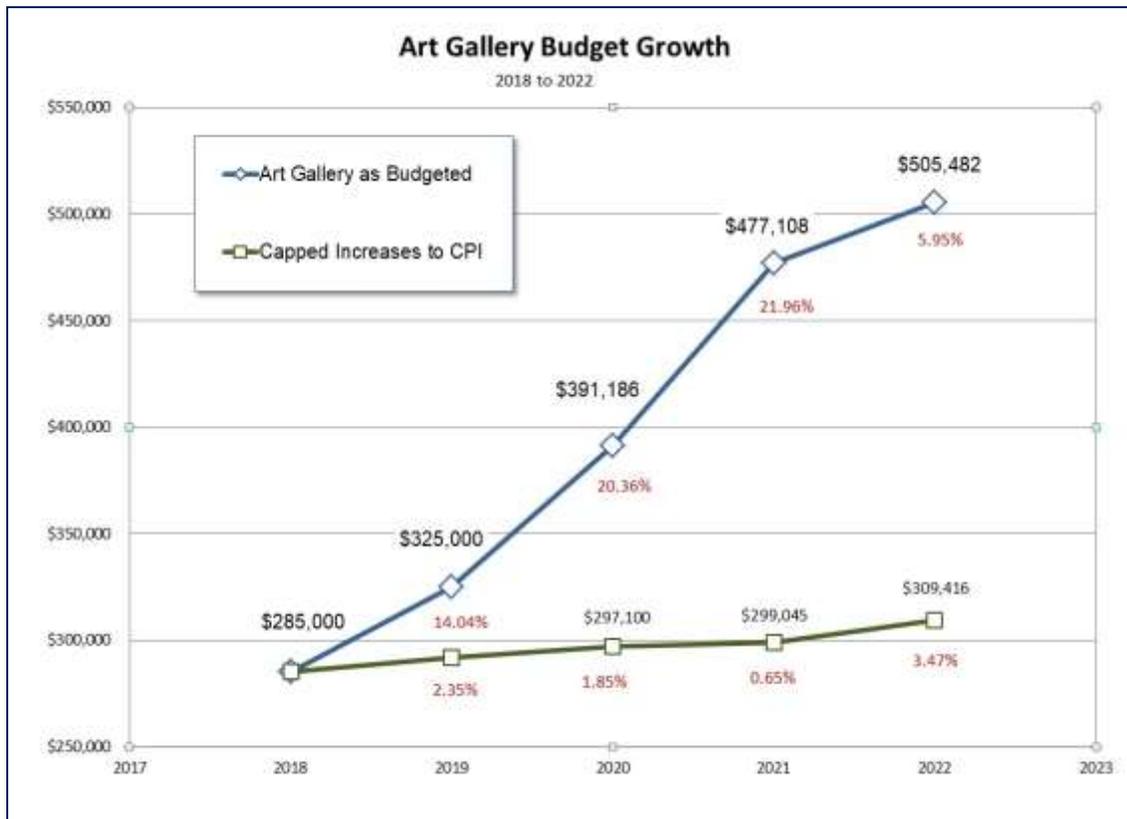


Figure 16; Tom Thompson Art Gallery Extreme Budget Growth

Cultural Services is included in the “Recreation & Cultural Services” line item in the Audited Financial Statements and consists of the Art Centre and Library expenses. Although the operational budget for the Art Gallery is not broken out in the Audit Financial Statements a summary of its operations is available on the city’s website for a four year period from 2018 to 2022. From these summaries, shown

at Annex B, we can see that the burden to taxpayers during this four year period from the Art Gallery operations actually grew by \$220,482 or 77.3%.

This rapid growth becomes very obvious when plotted alongside the budget that would have occurred had expenses been capped at the rate of increase for CPI, shown above in figure 16 as a green line. This is highly irregular for a public institution, especially since two of these years occurred during COVID lockdowns. We also see that the Art Gallery burden to tax payers experienced double digit growth during this period before it somewhat leveled off at 5.6% in 2022. Surprisingly for two years in a row, 2020 and 2021, the Art Gallery budget grew by over 20% per year.

2022 Budget High Growth Areas

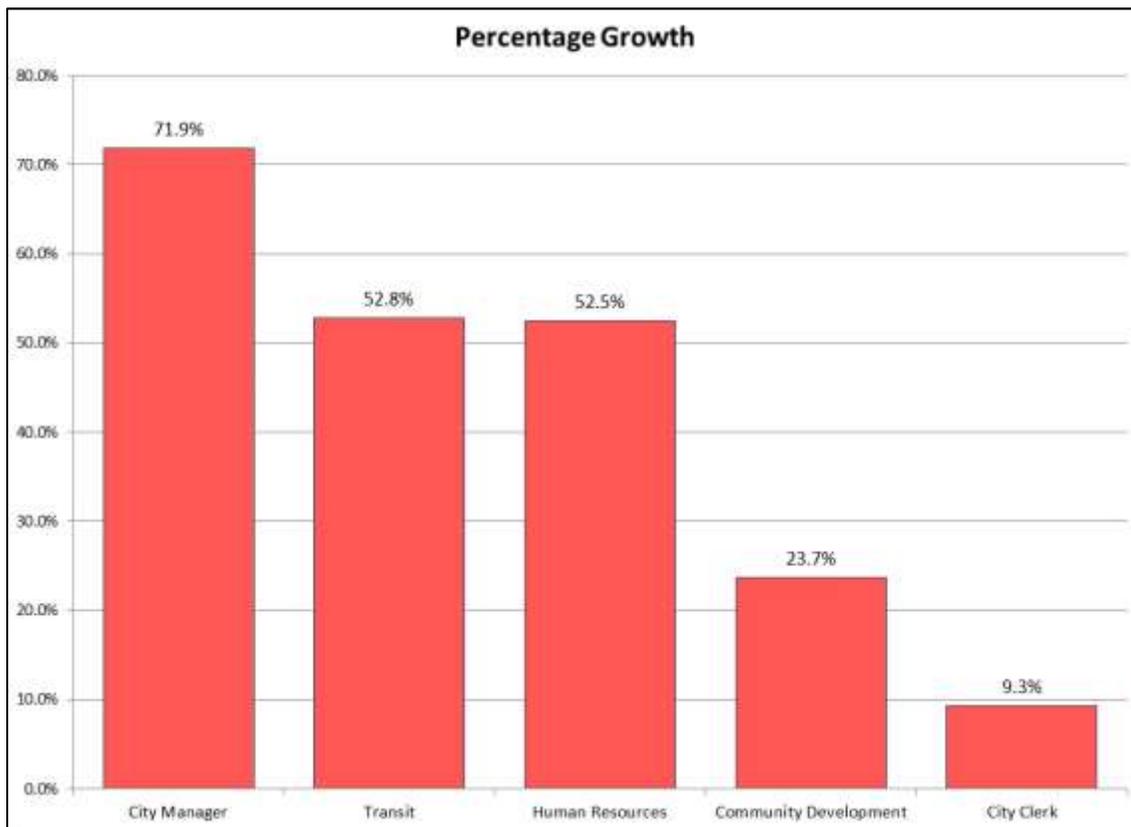


Figure 17; Percentage Growth of 2022 Budget High Growth Areas

In the 2022 budget, there were 5 areas that had extreme budget growth in excess of 9%. The City Manager’s Office experienced the greatest growth on a percentage basis of 71.9%. This was followed closely by Transit which grew by 52.8%. Human Resources grew by 52.5%. Community Development grew by 23.7% and the Clerk’s office grew by 9.3%.

Note: the numbers shown are from the individual 2022 budgets shown at Annex C. However these numbers are different in the 2022 Tally Sheet at Annex E which shows: Transit growth at \$515,518 or 54.0%; City Manager budget growth at \$158,081 or 42.4%; HR at 119,772 or 35.1%; City Clerk budget growth at \$70,756 or 10.6%; and Community Development at \$16,386 or 8.8%.

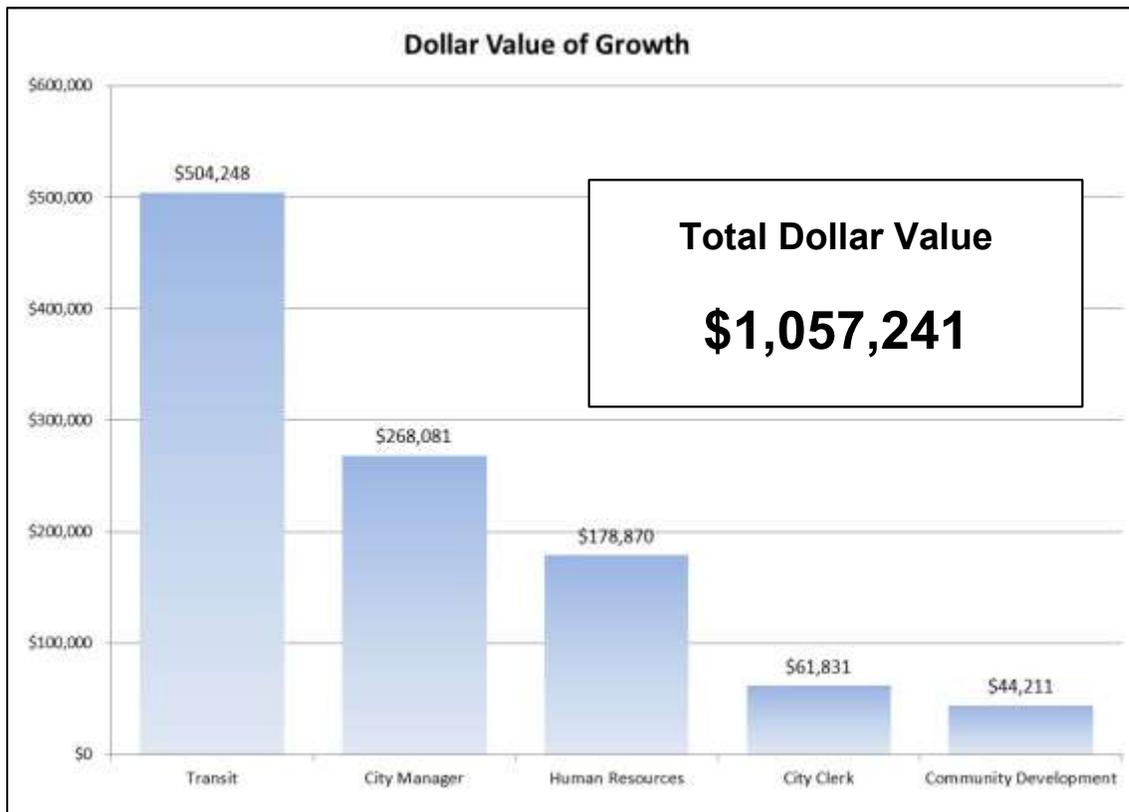


Figure 18; Dollar Value of 2022 Budget High Growth Areas

The percentage growth doesn't really show you the impact this growth has on taxes. To see the real impact we plotted the dollar value of the growth in each of these departments. As shown in figure 18 above, the growth in Transit dominates the graph with growth of \$504,248. The city manager's office operated with a budget of \$373,055 in 2021 and now in 2022 requires \$641,136. The total value of the growth in these five departments is \$1,057,241 as calculated using the individual 2022 budgets at Annex C. If we use the data provided in the 2022 Budget Tally Sheet at Annex E the total value of just these five departments is \$880,513 or \$176,728 less than the actual 2022 budget sheets.

Reporting and Budget Errors

As you know I based my main study of the period 2011 to 2022 on the city's audited financial statements. This was largely because these are clear, unambiguous statements that are error free. I can't say the same for some of the other budget material posted on the city's website. I observed numerous errors and misleading statements in these. Below is just one example. It's important to note, that this problem is not confined to the example below, there are other areas with similar errors.

Art Gallery 2022 Budget Statement Errors

In 2021 the Art Centre stopped presenting a standard income statement, which would have clearly shown changes in revenues and expenses. They adopted a statement with what appear to be two versions of the same data. In the top part it appears to show revenues and expenses totally \$10,482. However when you total the numbers shown you find that the actual total is **(\$38,368)**, instead of \$10,482 and the total for 2021 is **(\$46,742)** as opposed to \$2,108. Oddly, in both of these years an expense line item of exactly \$48,850 is required to achieve the totals presented. This is very suspicious and suggests the statement is not at all based on the expected costs in 2022. It does not at all reflect reality which is why an independent audit is required to see what is really happening at the Art Gallery.

Art Gallery Incorrectly Stated Tax Burden

We can see from the Art Gallery’s 2022 budget statement at Annex B, that the Art Gallery’s burden to tax payers in 2022 was reported as only \$10,382. This same statement shows a tax burden of only \$2,108 for 2021. If we examine the 2020 Budgeted Operating Expenditures and Revenues by Department on the city’s website and also attached at Annex B, figure 25, we see that in 2020 the Tax Burden was \$391,186. It’s just not plausible that the Art Gallery could go from a deficit in 2020 of \$391,186 to only \$2,108 in 2021 as shown in their 2022 budget submission?



The 2022 statement produced by the Art Centre is just not correct. After totaling its net operating budget to \$508,932, the Art Gallery then subtracted revenues from other departments and the City of \$1,450 and \$495,000 respectively, and labeled the difference as “Tax Burden”. Anyone glancing at this statement would conclude that the operation of the Art Gallery is only going to cost taxpayers \$10,482 in 2022, when in fact the total Tax Burden will be \$495,000 plus \$10,482 or \$505,482 – not the \$10,482 incorrectly reported in their 2022 submission to Council.

The Art Gallery’s tax burden is also shown in the 2022 Budget Tally Sheet, at Annex E, as \$475,000. So what is the real tax burden? Is it \$10,482 as claimed by the Art Gallery, or \$475,000 shown on the City’s tally sheet, or the \$505,482 that I calculated? The result is that we have very little confidence in the Art Gallery’s 2022 budget statement. Had the Art Gallery been presenting an Income Statement, or Statement of Operations following Generally Accepted Accounting Principles so year to year performance could be clearly compared, we would have had much better transparency.

Another apparent inaccuracy in the Art Gallery’s 2022 budget presented to Council is the User Fees that show no impact from the lockdowns when the Art Gallery was not open to visitors. The User Fees from the statements at Annex B are shown here.

2019	2020	2021	2022
\$156,750	\$152,052	\$151,700	\$151,700

Table 1, Implausible Art Gallery Revenues

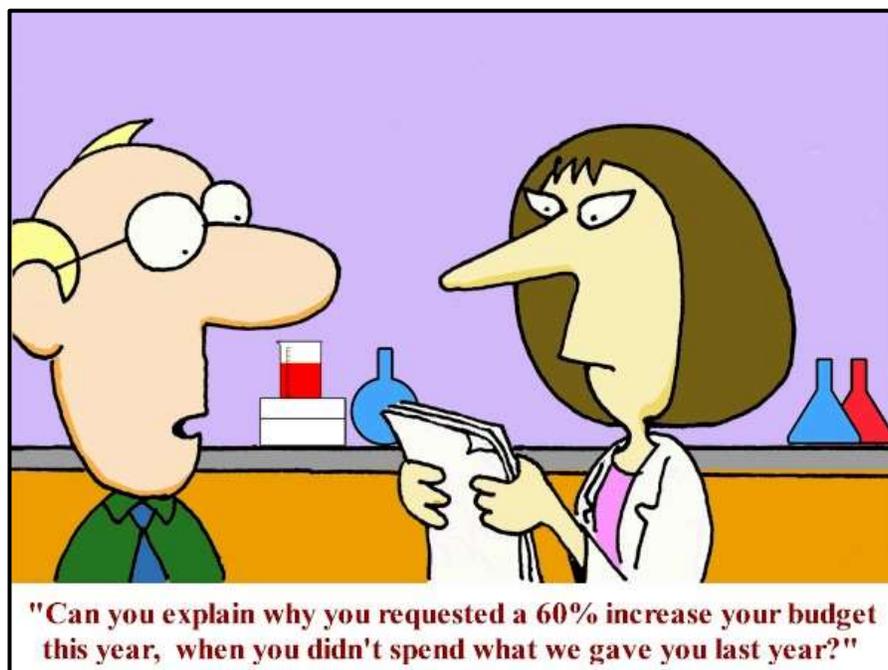
It is just not plausible that the Art Gallery user fees were not impacted by the lockdowns during COVID. The bottom line is that we can have little confidence that the Art Gallery's ability to correctly state its operations and equally little confidence in the city manager's office that verified the Art Gallery's 2022 budget and failed to correct these obvious errors.

Summary of Current Events

The extreme growth in the Art Gallery's budget of 77.3% over the past four years is alarming. The fact that this budget is not visible in the city's Audited Financials is troubling. Equally troubling is the one million dollar total 2022 budget increase in only five city departments. Again neither of these departmental budgets are visible in the city's Audited Financials making it impossible for taxpayers to monitor how their tax dollars are being spent at the department level. Whether we use the budgets at Annex B or the slightly lower budgets shown in the Tally Sheet at Annex E, these are astronomical double-digit budget increases.

It is not obvious what changed between 2021 and 2022 for the five departments with excessive growth. From my experience this is actually quite typical in public institutions without effective financial oversight. I'm confident if you were to pick any budget year at random over the last 20 years you will find very similar unsubstantiated budget increases.

What is not typical are accounting errors observed in the Art Gallery's 2022 budget statement. This suggests the need for an independent audit to both identify other errors and to inform taxpayers how the Art Gallery has been spending their money over the past five years of rapid expense growth.



Section 4 - Discussion – *breaking the cycle of High Taxes*

While the previous sections of this paper presented the facts, this section will offer some analysis and suggestions which will include opinions of the author. The ideas and suggestions offered are not intended to represent the only way ahead, but rather are designed to stimulate community discussion aimed at developing solutions that are inclusive of the vast diversity of opinions within our community. I encourage readers to present alternate ideas and solutions that they feel are more appropriate, including arguments in favour of the status quo. It is also important to keep in mind that this is a high-level look at operations. When you start to drill at the departmental level, some suggested solutions may not be realizable.

Often when people are presented with constructive criticism of their work, even if aimed at promoting growth and development, they have a tendency to “*shoot the messenger*”. In this case I fully expect some attempt to discredit the author. In my defence, I do have some budgeting and financial management experience. Prior to retirement I held the position of Vice President of Finance and Administration of a college and was responsible for an 85 million dollar budget. I also focused my graduate project for my MBA thesis on examining inefficiencies in municipal governments. A short summary of my background is attached at the end of this discussion paper.

Defining the Problem

A municipality is a business with a sole mandate of delivering the type and level of services defined by its residents. With the exception of grants from higher levels of government, the community covers the full cost of all municipal services through taxes and fees. Therefore, the city must be responsive to both the Community’s needs and the Taxpayer’s willingness to cover the cost. This can be extremely challenging for Council since the Community is not a homogenous body. We are made up of people with a diversity of backgrounds and economic means. What one group may see as essential support, others may view as frivolous spending. Normally municipal councils deal with these situations by creating policy which can be referred to when considering requests for support or new services. If executed correctly the policy reflects the desires of the community and spending is somewhat controlled.

How the Data Defines the Historical Problem

Based on the data, the problem is NOT that higher levels of governments are shrinking their financial support to our municipality. Although this is true, its overall impact is not the main driving force. The real source of the problem is that over the last ten years expenses have been allowed to grow at a rate that was well beyond inflation. Overall the total growth of all expenses during the past ten years suggests a chronic financial oversight failure.

Budget Development Process

In the 2022 Budget posted on the city's website as "Consolidated-Budget-Book---Final-Reduced.pdf" gives us some insight into the budget development process. This package contains 2022 department budgets, at Annex C, which are different from those shown in 2022 Budget Tally Sheet, at Annex E. What appears to have happened in 2022 is that staff presented a budget with very large increases. When Council objected to magnitude of the increases, staff slightly reduced the size of their wish lists. I believe this is how, in the five departments we examined, we went from a total budget increase of \$1,057,241 to \$880,510 which is likely where they ended up. This still involved double-digit increases albeit slightly smaller. Council then accepts the slightly reduced wish list and everybody thinks they did a great job. However the reality is that these five departments still received astronomically high increases in a single budget year totaling \$880,510 which was more than what was needed to give taxpayers a ZERO percent tax increase this year. This would not have occurred had each of these departments started from zero and showed how each dollar that they requested was essential for service delivery. As well, Council needs to be stronger when faced with budget increases and show some resolve to keep taxes down. They gave in far too quickly this year and should have listened to the three councilors who wanted to send it back to staff for further work.

What is required is a wholesome overhaul of the budget preparation process. There are a number of processes that have been successfully applied by other municipalities. One such option that's worthy of consideration, is discussed below. It's not perfect and it does come with its own strengths and challenges but it has been successfully employed by other municipalities.

Zero-Based Budgeting

In management accounting, when a budget is prepared from scratch with its base as zero, it is called Zero-Based Budgeting. It promises to move organizations away from incremental budgeting, where last year's budget is the starting point. Instead, the starting point becomes zero, with the implication that past patterns of spending are no longer taken as a given. For this reason alone the Owen Sound should consider moving to some form of Zero-Based Budgeting.

There are a number of Pros and Cons when considering Zero-Based Budgeting. It has been the subject of a fair amount of controversy over the years, largely due to the level of effort required annually to build the budget. A good overview of Zero-Based Budgeting from a general purpose perspective can be found at the following link: [*How to Give Every Dollar a Purpose*](#)

Several public institutions have considered Zero-Based Budgeting since being first introduced in the 70s. The City of Calgary implemented Zero-Based Budgeting a few years ago. Their experiences can be reviewed at the following links:

- a. [*Calgary Government Financial Officers Association Review*](#), and
- b. [*The City of Calgary's Zero-Based Program Review*](#)

In addition to the full implementation of Zero-Based Budgeting, there are partial implementation options. All of these all use a starting point of zero. Some of these are; Department Based Budgeting, Zero Line-Item Budgeting and Service Level Budgeting. Reviews of each of these modified approaches to Zero-Based Budgeting are available online.

The Zero-Based Budgeting is a process that does take up a lot of time and effort to implement. Therefore it will initially be considered overwhelming and some will find it too challenging. However, Council needs to encourage staff to persevere. It has been successfully implemented by municipalities and the benefits can be enormous. More importantly the return to taxpayers would be encouraging and at the very least stop the migration to other communities.

Budget Padding - or undisclosed contingency funds

In most public institutions, where there is loose or limited financial oversight, budget holders routinely pad their budgets to ensure they have extra funds to address pet projects throughout the year. Budget managers often take advantage of compound line items such as those we see in the city's department-level budget statements e.g. "Legal and Contracts".

Typically budget padding leads to a spending blitz, toward the end of the fiscal year, as budget mangers attempt to rid themselves of the extra funds in fear of having next year's budget reduced. Usually this type of spending results in significant waste since, in their panic to spend their entire budget by the end of the year, products and services of questionable value are purchased. The budget holders' fear is that if they leave money in their budget at the end of the year that it will be proof that their budget can be reduced. I developed a number of strategies to impede this tendency that I would be happy to share with the city manager if there is interest.

We would be naive if we thought that budget padding does not occur at our city. One of the most flagrant examples happened this year with the Tom Thomson Art Gallery. When we look at their budget, shown at Annex B, figure 23, it seems that every dollar is accounted for and will be spent by the end of the fiscal year as identified in the budget. However, just four weeks after the 2022 budget was approved Council approved a pre-feasibility study to determine the costs and benefits of building a new Art Gallery. The Art Gallery knew four weeks prior that they needed \$30,000 for the study yet they didn't put it in their budget. Why was this? It was because they knew they had sufficient built in undisclosed contingency or padding in the budget that they presented. Given this was the second in a series of studies aimed at expanding the Art Gallery they should have entered this expense in their budget as a line item labeled "*Feasibility Study Contingency*".

So where is the \$30,000 going to come from? Gallery director and chief curator Aidan Ware told Council that she thought she might be able to get a grant to cover half of the cost, but would need to find the other half - \$15,000, in her operations. There's clearly no room in the budget since the budget is fully allocated. It very much looks like Budget Padding is alive and well at city hall. It is reasonable to assume that other departments have budget padding at the same order of magnitude. If so, then the \$55.5 million in

expenses that Council approved for 2022 could have as much as \$1.6 million in built in "undisclosed contingency" or budget "padding".

Emotional-Based as opposed to Business-Based Decisions

If a municipal council is prone to make decisions based on emotion or compassion and is not guided by policy, a Council of the day can make decisions that are not based on sound fiscal management and in the process tie the hands of future Councils. Here are three examples of Council making decisions based on emotion and misguided compassion rather than following sound business principles.

Transit Services

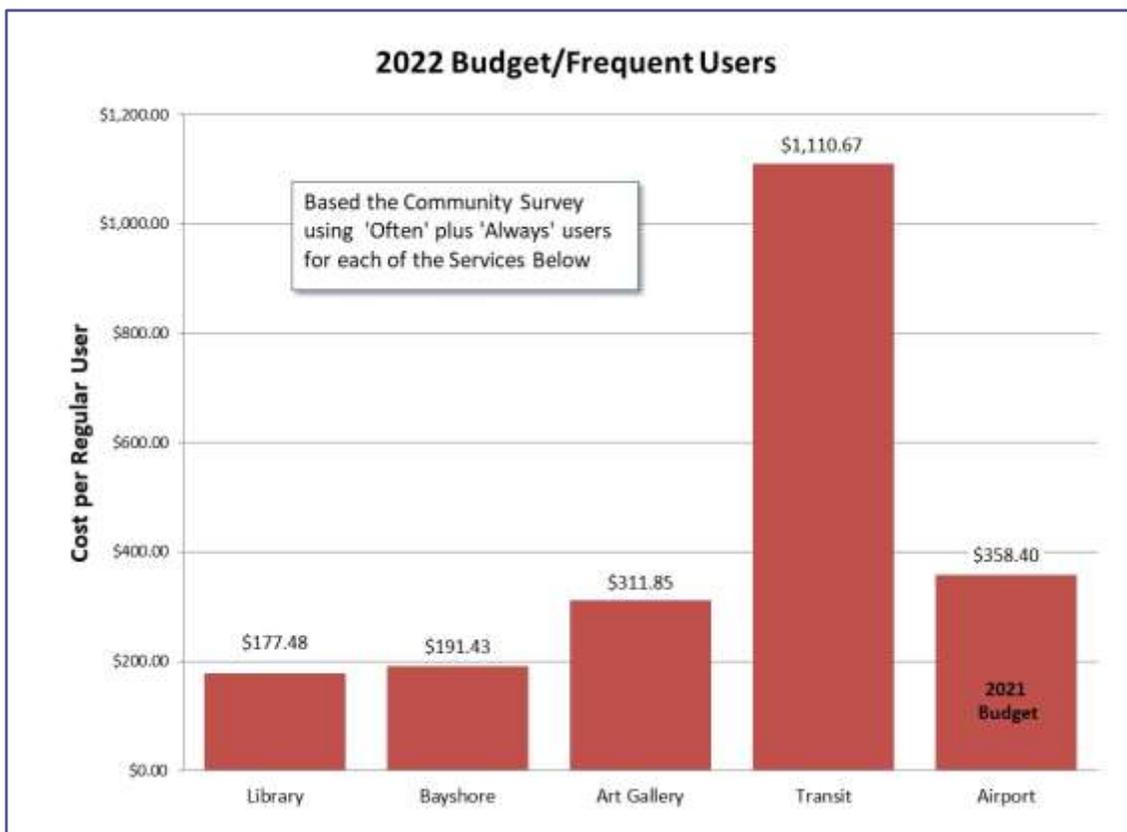


Figure 19; per Capita costs of poorly Subscribed Services

We saw in figure 6 how Transportation Services was allowed to grow by 79.9% during the study period. Transit, which is part of Transportation Services, was approved for a 52.8% budget increase this year.

I recall Council explaining the increase was due to anticipated increases based on information from the service provider and not from the results of an RFP process. As it turned out the winning bid from a subsequent RFP process was actually \$231,678 less than budgeted. In a fiscally responsible municipality this unexpected bonus would be removed from the Transit budget and set aside so it can be returned to taxpayers next year. It will be interesting to see if there is anyone on Council with the courage to insist that this windfall be returned to the taxpayer.

Council was aware that ridership was down even before Covid and actually budgeted for a \$180,550 or 47% reduction in fare revenues which suggests that they have no confidence in ridership increasing post Covid. Oddly they budgeted an additional \$35,000 or 22% more for “Materials and Supplies” as shown in the 2022 Transit budget in figure 20 at the right. This is just another example of budget-padding. Why would you need more materials and supplies in 2022 when you’re serving only half of the riders you had in 2021?

**TRANSIT
DRAFT 2022 OPERATING BUDGET**

		2022 DRAFT BUDGET	2021 BUDGET	VARIANCE
<i>1 FTE, 1 PTE</i>	Salaries and Benefits	113,049	109,976	3,073
Transit Terminal Op	Materials and Supplies	196,100	161,100	35,000
Transit Terminal Op	Contract Services	1,599,225	1,323,600	275,625
	Debt Payments	-	-	-
	Gross Costs	1,908,374	1,594,676	313,698
Contracts	Grants	(245,000)	(255,000)	10,000
First Student	Other Revenue	(203,700)	(384,250)	180,550
Snow Removal	Revenue	(448,700)	(639,250)	190,550
	Net Cost	1,459,674	955,426	504,248
	Reserve Contribution	-	-	-
	Internal Cost Allocation	100,569	89,300	11,270
	Division Levy Requirement	1,560,244	1,044,726	515,518

Figure 20; Transit 2022 Budget

Using the 2022 Transit budget we can calculate the cost to the taxpayer of each trip taken by bus riders. Knowing the total revenue from fares and that a regular ride costs the rider \$3.00 we can calculate the number of trips taken. As shown in Table 2 the number of rides was 128,083 in 2021.

	2021	2022
Fares	\$384,250	\$203,700
Fare per Trip	\$3.00	\$3.00
No. of Trips	128083	67900
Gross Costs	\$1,908,374	\$1,594,676
Taxpayer Cost per Ride	\$14.90	\$23.49

Table 21; Transit 2022 Budget

We know from figure 20 the Gross Cost for transit was \$1,908,225 in 2021. When we divide this by the number of trips we get the cost per trip to be \$14.90 in 2021. Given the reduced revenues from fares in 2022 we find that we are expecting only 67,900 rides. This results in a dramatic increase in the cost per trip that the taxpayer has to cover - \$23.49. When you add the \$3 fare to this each trip is costing \$26.49. For this price you could take a taxi to anywhere in Owen Sound. Also in 2021 the rider’s \$3 fare represented 20.1% of the Gross Costs of providing this service. In 2022 the rider’s fare covers only 12.8% of the Gross Costs. This shows that as ridership declines the taxpayer’s share of the cost of providing transit services increases. How high does the “taxpayer’s-cost-per-trip” need to get before Council finds the courage to cancel this service?

Taxpayer burden per trip went from \$14.90 in 2021 to \$23.49 in 2022. When you add the \$3 fare to this each trip is costing \$26.49. For this price you can take a taxi to anywhere in Owen Sound.

Council was further informed by the Community Satisfaction Survey that showed that the average of phone and computer respondents on the question of Transit was that only 6.5% of the population uses the service frequently and an average of 72.5% said that they never used public transit. Six and a half percent of Owen Sound’s population is 1,400. This figure is likely higher than the actual number of users which could have been confirmed by Council with an independent study. When we divide 1400 into the Transit budget we find that the cost per rider is \$1,110 which is what taxpayers pay to keep this service going as shown above in figure 19.

However, instead of Council commissioning an independent study to obtain sound empirical data to assist with their decision, Council made an emotional decision believing it was the only way for them to show compassion for the seniors depending on this service. They made this decision on the unsubstantiated belief that there were many seniors in the community that depended on transit as an essential service to get to the doctor or bring their groceries home. However no one presented data to support that belief.

Council could have shown their compassion for seniors by authorizing seniors over 65 to use the on-demand Mobility Transit; cancelled the regular bus service and saved \$1million for taxpayers.

So Council voted to sign a five year contract for \$6.16 million over the next five years or about \$5,000 for each person that uses this service on a regular basis. Council could have shown their compassion for seniors by authorizing seniors over 65 to use the on-demand Mobility Transit. Then they could have cancelled the regular bus service and saved taxpayers a million dollars. Had they done that, seniors would actually have been better served with the door to door service. Instead they just kicked the can down the road for a future Council to deal with. In doing so, they made an emotional-based decision that will cost taxpayers \$6.16 million over the next five years.

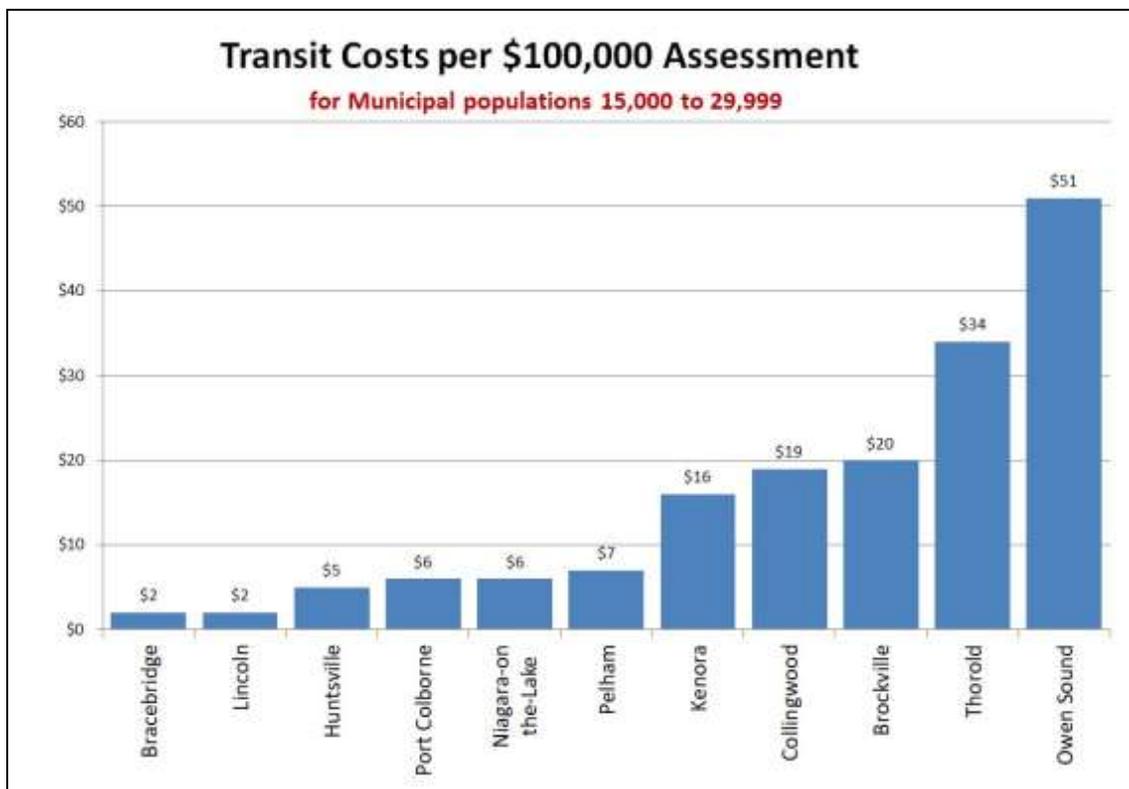


Figure 22; 2018 Comparison of Transit Costs with Similarly Sized Municipalities

One of the things that Council would have found had they studied all aspects of Transit before making that emotional decision is shown in Figure 22. That is, Owen Sound taxpayers are paying significantly more for conventional transit than any other similarly sized community. How can Brockville, a community

with a population that is nearly identical to that of Owen Sound, operate their transit system for only 40% of the cost that Owen Sound taxpayers pay? Perhaps an independent audit will shed some light on this.

The Art Gallery Incorporation Experiment

I'll be the first to admit that I don't have a lot of the details on this one. To the best of my recollection a few years ago the Director of the Art Gallery came to Council and explained that the Art Gallery could secure more grants if it were not a city department. So a deal was struck to spin off the Art Gallery as a incorporated, charitable not-for-profit corporation, where the city would retain ownership of the Art Collection. This is another example of an emotional-based as opposed to business-based decision. There were no guarantees that any more grants would become available yet Council believe the Director and authorized the change.

A year or so later, in late 2017 it was recognized by the Board of Management that the incorporation business model was not sustainable in its most current form and efforts to incorporate ceased and the Art Gallery once again became a city department. This time Council really had no choice but to undo its previous emotional-based decision. Unfortunately, there was an added problem. The Art Gallery came back with significant accumulated debt that the city (the taxpayers) had to assume. I recall the mayor saying that it would not be a problem because the Art Gallery would pay it all back to the city. Well I invite you to take a look at the Art Galley's 2022 budget, at Annex B and you will see a line item labelled "Debt Payment" with a \$50,000 expense. That's the Art Gallery paying off its debt to the city. But where does the Art Gallery get the money to pay off this debt? It's in that entry just below with the line labelled "City Contribution" with a revenue entry of \$495,000 and of course the city also picks up \$10,482 that is labelled "Tax Burden" for a total cost of \$505,244. Yes, the Art Gallery is repaying its debt to the city out of money it gets from the city. It has to – it has no other option because it is a Cost Center not a Profit Center. It doesn't make money – it consumes it. So, essentially the taxpayer is on the hook for that emotional-based decision. The only question that is left is did the city audit the collection to ensure that the value of the collection didn't change while it was essentially in private hands?

The New Art Gallery Building

Unfortunately the propensity for Council to make emotional-based decisions continues today. The hot topic of the day is a new \$20 to \$30 million art gallery building. In spite of its lack of community support and in spite of its rapidly growing annual expenses (77.3% growth in only four years), Council seems to be on a course to replace the Art



Figure 23; Moriyama & Teshima Architects Drawing

Gallery building. Even though our five-year capital plan does not have any funds allocated for a new Art Gallery building.

Last fall, Council spent \$9,600 to retain G.M. Diemert Architects to determine what size of building would be required to house the Gallery’s growing collection and expanding staff. Diemert’s report stated that the Gallery would require a building in the range of 35,000 to 38,000 square-feet at a cost of \$22 to 30 million. On 14 March 2022 Council approved a \$30,000 “Pre-Feasibility” study. A week later Architects [Moriyama & Teshima](#) posted their vision for a new Art Gallery on their website that is shown above as figure 22.

The Diemert report stated that the floor area required to secure collection would be about 10,000 square feet, which is roughly three to five times larger than the gallery’s current storage space. The proposed new building would also include more staff office space that is badly needed because some staff are now using areas previously used for storage. So what is driving this need for expansion? If we consider the rapid budget growth in figure 16, it’s reasonable to assume that the Gallery has hired 3-4 new employees over the last 4 years. Also the Art Gallery director Aidan Ware told Council on 14 November 2022, that Gallery has acquired over 1,200 new pieces over the past fifteen years nearly doubling its collection to 2600 pieces. This sounds very much like a self-inflicted wound.

The most appropriate solution to the Art Gallery’s space problems is to reduce size of the staff and the collection to what they were a few years ago and use the savings to begin to address the homelessness issue that residents identified in the Community Satisfaction Survey which Council seems to have ignored. However this is a very emotional issue for some councilors who see the Art Gallery as a status symbol that elevates Owen Sound in their eyes.

It was clear from the discussion around the Council table on 14 November that this is a very emotional issue. The passion around the table was obvious as was the feeling that anyone who dares object to this costly expansion of the Art Gallery will be shouted down by the very vocal Art Gallery supporters as actually occurred on the 14th. As one Councilor angrily stated it at that meeting:

*“I will challenge anyone before they start **talking trash** about what we are going to do with the gallery ... We have a collection that exceeds of tens of millions of dollars in value ... and it is undervalued in this community by so many people ... I don't base that on the **number of people going through the building** that is not the criteria under which we do these things... we need to dream big”*

These statements highlight the vast disconnect between some members of council and the community that they are supposed to be serving. It’s obvious from these statements that “*You and I*” are not included in the “we”. The “we” is the small group of art supporters behind the “*new building*” initiative. Traditionally, the criteria used by municipalities to spend tax dollars on a service, is how much the service is used and how it is valued by the majority of taxpayers. The “**number of people going through the building**” is the overriding criteria. When a small group of residents can use their social and financial power to persuade councilors to change that criteria, to justify spending millions of tax dollars on a facility that they admit is not valued by most of the community, we no longer have a responsible government and a vibrant democracy – we have an **oligarchy**, where a small number of

wealthy art supporters tell the vast majority of taxpayers how their hard earned money will be spent and if you dare question the need for a new Art Gallery, then you are; **“talking trash”** which justifies this group shouting down anyone opposing their expansion plans.

Need to Change the Status Quo

During the ten year observation period inflation was historically very low (1-2%). We know that this has already started to change and could grow to more than 5-7% this year alone and will continue like that for the next several years. This will have a significant impact on the cost of delivering services to the community. So we can expect that the trends, shown in figures 1 and 2, will be much steeper to reflect the rapidly increasing costs and taxes will be rising much faster. Hence, things will get much worse if Council does not get focused on turning things around this year.



Examining Essential Services

Reducing the cost of service delivery when it comes to essential services like Protective Services will be challenging. However, given the magnitude of their contribution to the problem they cannot be ignored. In fact Council would be hard pressed to address the problem without dealing with this obvious cost driver as shown in figures 5 and 6.

There is no question that Protective Services are essential. The cost of Fire and Police is analogous to insurance. We simply can't risk the consequences that could result without either of these essential services. However, the cost of these services along with their rate of growth does need to be addressed. For example some questions that need to be asked about Fire Services are:

- Is the magnitude of Owen Sound Fire Services consistent with those being provided in similarly sized municipalities? and,
- Is the Fire Services Model of all full-time employees, the most appropriate model for Owen Sound at this time? Or, is an alternate hybrid model using a mixture of volunteer and full time employees something that can be implemented with an acceptable level of risk.

The Need for Annual Service Reviews

A good budget preparation process must be preceded by an annual review of all services. Council should strike a Service Review Committee with a mandate to annually review each and every service in regard to need and efficiency. The Committee should be driven by Staff, chaired by a member of Council and most importantly have membership that includes at least two members of the general public and one other member of Council.

The Service Review process should examine each service under the following criteria.

1. Is the service essential?

2. Is the real cost-per-user accurately calculated from data and is it reasonable, and
3. Are the majority of rate-payers likely to support its continued funding?

If the answer to any of these questions is 'NO', then the service should be considered for further review, elimination or significant downsizing. All services that survive the initial review should then be assessed for 'size' appropriateness. Are we paying for a brand new Cadillac Escalade when we can only afford a 1998 Chevy impala?

Other Considerations

Municipal Collaboration

A review of municipal budgets by the Ontario Chamber of Commerce, [*Bolstering the Fiscal Resilience of Ontario's Municipalities*](#), identifies a number of ways municipalities can reduce service delivery costs including partnering with adjacent municipalities. The paper concludes that collaboration and cost-sharing between municipalities could have tremendous benefits in Ontario. There is a formal approach that the Province can enable, known as voluntary co-operation, wherein two communities enter into a contractual agreement to share resources. In such a model, individual municipalities maintain their autonomy and can govern as their constituency demands. This is something that is worthy of investigation if it has not already been considered.

Outsourcing

Are all city services being provided in the most cost effective and efficient way? I recall in 60s and 70s Owen Sound had a garbage collection department and residential garbage was collected weekly by city employees. At some point in time the city closed the garbage collection department and outsourced this requirement. In the process part of the cost of garbage collection was downloaded to the homeowner in the form of garbage bag ties and reduced the service to every two weeks. Council should take a serious look at all city services to assess whether or not any of them are suitable for outsourcing.

Shuttering or Reducing Poorly Subscribed Services

Last year Council addressed one of the least subscribed services, the Airport. If my memory serves me correctly, the Airport was costing taxpayers about \$250,000 a year at the time it was sold. From the Community Survey we see that an average of 90.5% of Phone and Computer respondents said that they never used it or rarely used this service. Of this an average of 74%, or three-quarters of those surveyed that said they never used it. As shown in figure 19 above, the Airport cost taxpayers \$358.40 per user before it was closed. Given this usage data, it's clear to see that Council made a good decision to sell the Airport.



The most obvious candidates for service reduction or elimination are those services that are both costly to maintain and have a low level of use. The city's audited financial statements, as reflected in figure 5,

give us a good understanding of cost of services. The Citizen Satisfaction Survey, which was delivered in September 2021, gives us a feeling for the frequency of use of these services.

Transit Services

The Community Survey shows that an average of 87.5% of Phone and Computer respondents stated that they rarely or never use Transit services. Given that an average of only 6.5% of residents or 1404 people use the service often or always and our total population is 21,612 the cost per user is \$1,110.67 which includes the value of the fare box.



Conventional Transit Service is one aspect of transportation services and for this discussion does not include the Mobility Transit Service. Although we don't have the breakdown of transportation services it's reasonable to assume that Conventional Transit Services form a large part of the budget. We see from figure 6 the overall cost of Transportation Services grew by nearly 80% during the study period (2011-2020).

On top of this growth, the cost of this service increased by \$504,248 in the 2022 budget for a total cost of \$1,560,244. This pushed the total cost of a single ride on city transit to \$26.49 – more than twice the cost of the average taxi ride. The regular bus fare is only \$3.00 per ride which leaves \$23.49 for the Taxpayers to cover. Given the low ridership, this means that we could actually save \$1 million per year by handing out \$10 taxi vouchers to frequent bus riders and cancel the service. This makes Conventional Transit Service an obvious candidate for complete elimination.

The Art Gallery

The Art Gallery is currently costing taxpayers slightly over \$500,000 a year – more than double what the Airport was costing us. The recent Community Survey showed that an average 76.5% of Phone and Computer respondents said that they rarely or never use this service. Only 2% said that they always use it and an average of 5.5% said they often use it. So at best, 7.5% of residents use the Art Gallery often or always. As shown in figure 19; this service has the next highest cost per user of the poorly subscribed services at \$311.85 per frequent user. When we consider that the cost to the taxpayer for the Art Gallery has grown by 77.3% during the last five years and that less than 6.5% of the community visit the Art Gallery on a regular basis the Art Gallery is a clear candidate for severe reduction or elimination. Perhaps a good way to start would be to roll back their budget to what it was in 2017 before the astronomically high budget increases started.



Section 5 - Final Thoughts – *recommendations for recovery*

It is clear that various Councils since 2011 have allowed expenses to grow beyond any level of reasonableness given the size of the community being served. Owen Sound's growing expenses need to be brought under control by applying sound financial management tools. This chronic growth in expenses is unsustainable and driving residents and businesses to our neighboring municipalities.



The problem, when it comes to municipalities, is they have the ability to increase revenues on demand to meet any increase in expenses. These increases are often justified by a long list of seemingly plausible explanations. A status-quo mentality is pervasive in most public institutions and municipalities are not exempt. There really isn't much incentive to change. It's not as if Owen Sound residents can pick up their homes and move them to Meaford or Georgian Bluffs. Most will find a way of absorbing the annual tax increases but some will choose to move across the municipal boundaries. However given the past trends, we need a major overhaul of the current approach to budgeting and an effective annual service review process. In short this will require a major cultural shift at city hall. The following ten (10) recommendations, if implemented, will get us off to a good start in mitigating the damage caused by years of high tax increases.

1. Implement Zero-Based Budgeting

- 1 There is no question that Council needs to address the excessive expense growth that has been happening for some time. Council needs to take specific concrete steps to reverse the tendency for excessive annual expense growth and eliminate the possibility of padding budgets. First and foremost Council needs to introduce a Zero-Based Budget process for the 2023 budget preparation process and not be intimidated by staff who will argue vigorously that it is just too difficult and time consuming.

2. Introduce Fully Burdened Cost Centers

- 2 There is evidence that some cost centers are paying other departments for some services. This practice needs to be expanded so that all cost centers are fully burdened. This will give taxpayers the ability to see exactly the total cost of each service. This must include the cost of HR, Finance and building maintenance among others. In particular each department's budget must include amortization expense. In my review I didn't see any evidence that cost centers were responsible for the capital expenditures they were consuming to deliver their services. For example, if the city provides a department with a new \$50,000 vehicle in a capital acquisition and the life expectancy of that vehicle is 5 years, then the department uses 20% of the capital cost each year and needs to show that as an amortization expense. Taxpayers need to see the real total cost of

each department. Fully burdening each unit will allow give taxpayers the transparency they need to have confidence in how the city is spending their tax dollars. Furthermore to improve transparency, each department must be shown in the audit financials and not combined with others as they have been in the past.

3. Freeze Budgets for the Next Two Years

3

The tax increase that Council approved this year was completely unnecessary. As shown in figure 18 above, Council approved two questionable budget increases; a 71.9% increase for the City Manager and a 52.8% increase for Transit Services. The total 2022 budget increase of the five departments was \$1,057,241. However, the 2022 Budget Tally Sheet, at Annex E, shows the 2022 increase in burden to Taxpayers of these five areas alone to be slightly less at \$895,974. Either way, these are still huge double-digit increases. Had Council not approved these increases there would have been no need for a tax increase this year. In other words, budget year 2022 could have been a ZERO percent tax increase year. To demonstrate that Council is serious about turning things around Council needs declare that no department budget can exceed 2022 levels for at least two years.



4. Improved Transparency and Financial Oversight

4

One of the largest causes of excessive growth in expenses is the propensity for budget managers to pad their operating budgets. We discussed a flagrant example of this in the Art Centre's 2022 budget where they literally told us where they were hiding extra funds when Council approved their request to do a \$30,000 study. To end this practice each member of council needs to meticulously discharge their responsibility for financial oversight by asking those difficult questions that may be perceived by the presenter as being overly critical. As well the city needs to stop using compound line items such as "*Legal and Contracts*", since these make it much easier to hide funds, and standardize line item labels.

In regard to financial oversight, we saw in figure 16 that the Art Gallery's burden on taxpayers was allowed to grow by 77.3% over the last five years. In two consecutive years the Art Gallery net expenses grew by over 20%. The analysis of the Art Gallery's operations was somewhat uncertain since this business unit only shows up in the audited financials as a component of the Recreation and Cultural Services line item. Each of these business units, the Bayshore Community Centre, the Recreation Centre, the Library and the Art Gallery, need to be individually stated in the Audit Financial Statements. By doing so, the city would improve the transparency of city operations and at the same time give taxpayers a better understanding of how their tax dollars are being spent.

5. Shutter Poorly Subscribed Services

5

During these difficult times, Council needs to remain focused on sound fiscal management and its duty to deliver responsible government – government that is responsible to the majority of

residents. Poorly subscribed services, which are only valued by a small group of residents, are just not affordable. After all the city is in the business of providing services to taxpayers who both define what those services should be and pay 100% of the cost of those services through their taxes and user fees. Council needs to protect taxpayers and not allow our municipal government to devolve into an oligarchy where small special interest groups overwhelmingly influence Council.

When it comes to ending poorly subscribed services Council owes it to the community to set aside their emotions and compassion and reduce or eliminate costly, poorly subscribed services. Transit needs to be terminated and the cost of the Art Gallery needs to be dramatically reduced by imposing a budget roll back to the cost of operations in 2018. As we saw during the Airport debate, Council will need to grow a tough skin to endure the onslaught of the very vocal antagonists who will no doubt show up in numbers to oppose any move that threatens these sacred cows. On the bright side, by investing the proceeds from the sale of the capital holdings of these poorly subscribed services, we can use the annual interest from these investments to address the real issues facing the community.

6. Establish a Permanent Service Review Committee

6

One question that becomes obvious when studying the expense growth graphs is; are we providing the correct level of services for the community? Or, can some services be modified to reduce costs? Although the MNP Study will shed some light on this and provide a foundation for the future, we need an ongoing effort to ensure we continue to make progress. In this regard it is recommended that Council establish a service review committee with a mandate to systematically review each service in regard to need and appropriateness. The Committee needs to examine existing cost-control measures and assess their effectiveness in ensuring expenditures are both essential and the most efficient way of providing the service. As well the Committee's mandate needs to include the examination of all services currently being provided by city employees to determine if any can be outsourced to private suppliers and by doing so produce significant savings to taxpayers.

7. Art Gallery Financial Audit

7

In regard to addressing the many errors in its 2022 budget request, Council needs to authorize an independent audit of the Art Gallery's financial activities during the past five years using an external auditor. This will also assist taxpayers in understanding the need for the 77.3% increase in the Art Gallery's tax burden that occurred over the past five years. Taxpayers deserve to know how the Art Gallery was able to operate successfully on \$285,000 in 2018 and now in 2022 requires nearly twice that, \$505,000, to provide the same services. Furthermore taxpayers deserve to know how the Art Gallery has spent all of those additional funds it has been receiving since 2018. In total the Art Gallery received \$518,572, over four years, more than it would have received had its budget been frozen at the 2018 level of 285,000. In the meantime Council needs to roll back staffing to 2018 levels; reduce the art collection to the 2006 levels. The audit must also include an audit of the Collection to determine if there were any changes in the inventory when it was in private hands during the failed incorporation experiment.

8. Transit Services Financial Audit

8

We saw a huge growth in the cost Transit Services this year that was completely unnecessary. The transit budget was developed based on information from the existing supplier and not based on bids from a Request for Proposals (RFP) process that was underway at the time. The question is why did staff not ensure that the RFP results were available prior to the budget process? Why would you base a budget on what amounts to posturing from a company hoping to win a contract? As it turned out when the RFP process completed, just weeks after the budget was approved, it was revealed that the winning bid was actually lower than 2021 prices. Hence the 52.8% transit budget increase was completely unnecessary. We also saw in figure 6 that Transportation Services grew by 79.9% during the study period 2011 to 2020. We don't know how Transit Service contributed to this growth but we do know from figure 8 that Owen Sound taxpayers are paying much more for Transit Services than similarly sized municipalities. The question that an independent financial audit will answer for taxpayers is: where has our money been going? How can Brockville, an almost identically sized municipality, provide Transit Services for only 40% of what we are paying? This doesn't seem plausible. Taxpayers deserve to know how the generous budget that Transit Services has been given over the years has been spent.

9. Improving the Downtown Environment

9

The city is neither a charity nor a benevolent supporter of charities. Council has no right to donate any of our tax dollars to support charitable causes no matter how great the need may be. However Council does have a responsibility to ensure that we have a safe downtown core for pedestrians who don't feel safe when approached by panhandlers or in the presence of vagrants. It is not as simple as rounding up the vagrants and destroying illegal homeless encampments. As many cities have found such actions just move the problem around. What has worked for other cities is implementing a "Housing First" program. They found that the homeless are more receptive to addiction counseling and can become contributing members of society when they are first safely housed in the community. By redirecting some of the budget savings that will surely occur with meticulous financial oversight Owen Sound can compassionately address the homeless problem.

Addressing the Homeless Problem

The Community Survey identified Homelessness as one of the top issues facing residents. People just don't feel safe downtown anymore and are fearful when approached by a panhandler or homeless person downtown. It is not sufficient for Council to tell us that they've uploaded this problem to the County. The city has the sole responsibility of keeping its residents safe by proactively dealing with the homeless problem beyond what the County is doing. It's apparent that there are many reasons for homeless encampments on city property including addiction to drugs and alcohol. Traditional addiction counselling in homeless encampments has not been successful. What has worked in many cities is a "Housing First" approach as described at Annex F and on the [National Alliance to End Homelessness](#) website. Such a program is expensive and requires ongoing funding.

I found it interesting that during the debate on the whether or not we should spend \$30,000 on a feasibility study for a new Art Gallery building that one councilor had the courage to suggest that we could address the Art Gallery's space issues by selling some of the collection. In an attempt to snuff out that radical idea, one councilor immediately responded by saying: *"it's not that easy"* and then quickly asked the Art Gallery Director for confirmation. Well, there are many things in life that are not easy. For example, it's not that easy just to survive when you find yourself addicted to pain pills after a car accident that nearly took your life and you find yourself on the street. Addiction knows no social or economic barriers. It affects all social classes equally. The only difference is that the wealthy can afford expensive private clinics. The rest of us can quickly end up homeless on the street.

In April the province announced a 36 bed addiction treatment center for Owen Sound where patients can stay up to six months. What happens when you're on the road to recovery and your six months is up? Well that's where a "Housing-First" Program can help people stay on track as well as help those waiting to get a bed in the treatment center.

'Housing-First' centers on quickly moving people experiencing homelessness into independent and permanent housing and then providing additional supports and services as needed. This is how cities around the world have successfully addressed their homeless problems and made their downtown cores once again a place where people feel welcomed.



How We Can Pay For It

It just doesn't seem right that we have tens of millions of dollars tied up in an art collection that doesn't produce any annual return to taxpayers and is not at all valued by the vast majority of residents. Yet, we have a number of homeless on the streets and homeless encampments in our green space and even others dying from fentanyl-laced street drugs. People don't feel safe downtown any more yet we are investing tax dollars in developing the River District area downtown in an attempt to attract new visitors to the downtown core. Unless we address the homeless issue first, this will be more money wasted on a losing battle to improve activity in the downtown core.

If we were to sell all or part of the art collection and invest the proceeds we could generate over a million dollars annually. These funds could be used to further improve the downtown core, provide a tax freeze for many years and most importantly fund a "Housing First" program to provide the homeless with permanent housing where they will be more receptive to counseling. Information on this program is available on the Canadian Government website at this line ["Housing First"](#) and a fact sheet produced by National Alliance to End Homelessness is available at Annex F. Rest assured that the art works that we send to auction will find good homes in other public or private collections.

10. Limiting Council's Spending Authority

10

It was clear in the debate on 14 March that there is a desire by a small special interest group to build a new Art Gallery that could cost taxpayers tens of millions of dollars. We no longer have a democracy when a small group of residents can use their social and financial power to persuade councilors to spend millions of tax dollars on any project, especially if that project is not valued by the vast majority of taxpayers. To avoid such distortions of democracy Council's authority to commit tax dollars needs to be limited. I suggest that that a \$5 million limit on any one project should be sufficient. All projects requiring the commitment of tax dollars beyond \$5 million must to be put directly to the taxpayers through a referendum so taxpayers have direct input on the approval of large expenditures.

Epilog

The propensity for Council to approve large budget increases is one of the reasons why we are one of the highest taxed communities in Ontario. We saw how Council allowed taxes to increase at twice the rate of inflation between 2011 and 2020. This occurred at a time when inflation was historically low (1-2%). Predictions are that will be in a period of high inflation, in the order of 7% to 8%, for the next several years. During this time Owen Sound Taxpayers cannot afford to elect a Council with a propensity to raise taxes well beyond the rate of inflation.

As well the current Council seems to be “disconnected” from the reality of what most people live with on a daily basis. We also saw the quick approval of a \$30,000 study to justify spending \$30 million on a new Art Gallery after increasing the Art Gallery’s budget by 77.3% - a service that is valued by less than 8% of the population. Council claims to be showing compassion by spending \$6.5 million to keep Transit alive for another five years in spite of a rapidly declining ridership. That works out to be about \$5,000 per rider. Yet, Council fails to show compassion for the homeless who are dying on Owen Sound streets from drugs poisoned with fentanyl. How many lives could this money save if it was directed toward addressing the homeless problem? In the process, it would make our downtown streets a much safer place where people wouldn’t be afraid to go on a Saturday afternoon.

*These are all poor spending decisions that over the years have been slowly driving people away through high tax increases and as a result our population is shrinking. The population of wage earners filing income tax between 2017 and 2020 grew by 5.51% in Collingwood and shrank by 2.13% in Owen Sound. Council approved in the order of \$6.5 million in budget increases over the past five years to deliver the same services to a shrinking population - all while Owen Sound wages were one of the lowest in the province. **“Higher Taxes and Lower Wages”** – what a combination!*

To put it bluntly, we are the highest taxed community in Ontario because we elect councilors who compliment us at the door during election time with “slick talk” and hollow promises of how they’re going to work for us, the “real people” and how they won’t let themselves be swayed by wealthy, special interest groups. We don’t check their business acumen or their financial management credentials. Perhaps it’s time to ignore the flattery and “slick talk” at the door. We need to only elect councilors with some understanding financial management; and/or a strong desire to fix the chronic financial management problems of the past, and/or, people with the courage to say “NO” to staff when presented with an onslaught of budget-increase requests.

So when you go to the polls this fall in the municipal election, recognize that you are hiring a Board of Directors to oversee the financial health of a 55 million dollar corporation. Study their backgrounds and experiences closely and choose wisely – the health of our city is in your hands!

About the Author



Commander Hutton grew up in Owen Sound and left to join the navy where he spent the first seven years of his career serving as an Electronics Technician aboard navy ships. He was selected for a commissioning program and sent to study engineering at Royal Military College. He graduated at the top of his class and was selected for the navy's prestigious Post Graduate on Scholarship program. He pursued graduate studies at the University of Victoria where his research project was sponsored by Defence Research Pacific and involved tracking submarines underneath the ice in the Canadian Arctic.

Commander Hutton served in a number of units both at sea and in National Defence Headquarters during his 30 year career in uniform. His service included deployment to the Persian Gulf during the Gulf War. His final assignment was as the Commanding Officer of a ship building project detachment on the west coast where he was responsible for the completion and operational trials of five newly constructed warships.

Upon his retirement he studied business at Royal Roads University where he earned a Master's Degree (MBA). His graduate studies included a research project focused on reducing the cost of municipal services. His graduate thesis demonstrated the tremendous cost savings available to government through the amalgamation of small municipalities.

Commander Hutton then entered the world of post-secondary administration where he gained a reputation for bringing a business focus and sound fiscal management to public institutions. As a Director at Seneca College in Toronto he introduced a number of efficiency and cost savings initiatives that enhanced service delivery while reducing costs. His success as an innovative financial manager and business developer was rewarded when he was selected to be the Vice President, Finance and Administration at Cambrian College. While in this position he was responsible for an \$85 million budget and had six service delivery departments in his portfolio. When he arrived, the college was literally on the financial rocks due largely to severe cut backs in government grants and inefficient service delivery models. He introduced a number of initiatives aimed at improving the college's financial health. These included streamlining service delivery models, closing redundant and inefficient departments and outsourcing non-core activities.

After a 15 year career in post-secondary administration Commander Hutton retired for the second time and chose to return to Owen Sound. He was somewhat surprised when he returned after a 50 year absence. Owen Sound was no longer the thriving municipality he remembered. His first impression was that his home town was struggling. A once bustling main street was quiet and populated with several empty store fronts. Most of the industries and major employers he remembered were gone. The city appeared to be stagnating. During his absence Owen Sound had grown by only a few thousand residents which represented an annual growth rate of less than 0.2%. This renewed his interest, from his business studies, in municipal financial management and in part resulted in this discussion paper.

Annex A - Summary from Audited Financial Statements

Summary from Financial Statements

REVENUE	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Taxation Revenue	22,044,641	23,005,231	24,263,073	24,785,505	25,886,244	26,343,753	28,379,905	28,789,835	28,972,907	30,410,265
Fees and user charges	11,292,121	11,708,642	12,420,459	13,331,330	13,559,403	14,276,501	14,479,802	14,745,087	14,476,857	13,924,516
Government Contributions	18,960,071	5,073,372	5,980,464	7,762,534	21,109,835	15,537,238	12,450,486	9,127,068	8,080,136	9,735,217
Other Income	5,069,275	4,022,191	4,505,023	2,953,054	3,596,396	2,893,219	2,048,166	3,837,760	2,978,985	2,628,501
Reserve Fund	1,070,412	814,124	871,712	711,517	2,185,134					
Total Revenues	58,436,520	44,623,560	48,040,731	49,543,940	66,337,012	59,050,711	57,358,359	56,499,750	54,508,885	56,698,499
EXPENSES	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	4,056,803	4,142,302	4,434,345	3,989,117	3,353,317	5,234,083	4,514,602	3,435,637	5,567,628	4,571,246
Protection Services	12,946,215	13,877,106	13,028,628	13,866,069	14,973,919	15,962,610	15,537,396	15,980,382	16,173,487	16,800,433
Transportation Services	4,736,154	4,789,804	6,999,103	7,739,437	8,603,468	8,385,498	8,733,189	7,241,941	9,300,052	8,519,360
Environmental Services	9,419,563	10,823,939	9,364,097	7,945,192	11,065,318	10,015,777	10,686,712	11,318,365	9,143,053	11,679,670
Health Services	357,513	394,653	311,818	456,232	389,153	456,672	459,628	415,613	344,414	398,026
Recreation and Cultural Services	7,351,092	8,353,857	8,865,531	8,481,741	8,811,078	8,457,794	9,778,959	9,389,013	9,950,173	9,468,426
Planning and Development	1,273,052	1,180,856	1,253,583	1,248,373	1,104,390	978,625	1,299,521	1,375,399	1,022,815	1,035,560
Transfer to reserve fund		53,352			165,000					
Total Expenses	40,140,392	43,615,869	44,257,105	43,726,161	48,465,643	49,491,059	51,010,007	49,156,350	51,501,622	52,472,721

Figure 24; Distribution of Current Expenses from Audit Financial Statements

Annex B - Art Gallery Budget Data

CITY OF OWEN SOUND TOM THOMSON ART GALLERY DRAFT 2022 OPERATING BUDGET				
		2022 DRAFT BUDGET	2021 BUDGET	VARIANCE
7501	GALLERY GENERAL	(16,993)	(21,867)	4,874
7510	GIFT SHOP	(16,650)	(16,650)	-
7520	MOVIES	(28,650)	(28,650)	-
7522	SPECIAL EVENTS	(30,000)	(30,000)	-
7525	ENDOWMENT FUNDS	(5,000)	(5,000)	-
7530	MEMBERSHIP	(15,500)	(15,500)	-
7533	COMMUNITY OUTREACH	400	400	-
7540	EXHIBITIONS	33,600	33,600	-
7550	COLLECTION MANAGEMENT	15,250	15,250	-
7560	EDUCATION	(3,700)	(3,700)	-
7562	STUDIO	(500)	(500)	-
7571	ONTARIO SEED	1,775	1,775	-
7585	BUILDING	76,450	72,950	3,500
		10,482	2,108	8,374
BUDGET BREAKDOWN				
<i>6 FTE</i>		2022	2021	change
	WAGES	570,003	545,053	24,949
	DEBT PAYMENTS	50,000	50,000	-
	MATERIALS	137,600	134,100	3,500
	LEGAL AND CONTRACT	34,200	34,200	-
	GRANTS	(133,171)	(133,171)	-
	REVENUE AND USER FEES	(151,700)	(151,700)	-
Net Operating Budget		506,932	478,482	28,449
NET TRANSFERRED TO OTHER DEPT'S		(1,450)	(1,375)	(75)
CITY CONTRIBUTION		(495,000)	(475,000)	(20,000)
TAX BURDEN		10,482	2,108	8,374

Figure 25; Art Gallery 2022 Budget as Presented to Council

DIV	Division Name	2017 Budget	2018 Proposed Budget	Difference
1000	Mayor and Council	\$232,162	\$236,781	\$4,619
2000	City Manager	363,358	\$250,860	(\$112,498)
2301	Non Departmental	292,100	\$458,100	\$166,000
2302	Debentures	1,730,431	\$1,576,785	(\$153,647)
2502	Grants	167,939	\$241,122	\$73,183
2500	Corporate Services Director	157,058	142,568	(\$14,489)
2501	Police Department	4,188,816	4,229,984	41,168
3000	Police Services Board	49,562	42,536	(\$7,027)
3100	Police Officers	6,099,750	6,090,102	(\$9,648)
3200	Police Civilians	737,820	839,053	\$101,233
3300	Court Security	291,163	345,579	\$54,416
4000	Art Gallery	282,000	285,000	\$3,000
5000	Library	866,258	906,849	\$40,591
Sub Total Net Operations		26,919,605	27,851,202	931,597
Tax Supported Capital		1,927,000	1,946,394.35	\$19,394
Matured Debt		93,959	247,606	\$153,647
Sub Total Net Expenses		28,940,564	30,045,202	(1,104,638)

Figure 26; Art Gallery 2017 and 2018 Data

2020 BUDGETED OPERATING EXPENDITURES AND REVENUES BY DEPARTMENT										
	SALARIES AND BENEFITS	MATS AND SUPPLIES	CONTRACT SERVICES, EXTERNAL TRANSFERS, AND RENTS	DEBT PAYMENTS	TRANSFER TO RESERVES	INTERNAL ALLOCATIONS	TOTAL EXPENSES	GRANTS & MUNICIPAL CONTRIBUTIONS	USER FEES, RENTALS AND OTHER REVENUE	TAX LEVY
GOVERNANCE & ADMIN	2,897,351	1,771,992	945,460	430,648	86,500	(1,197,335)	4,936,616		735,210.00	4,201,406
PUBLIC WORKS AND ENGINEERING	3,171,919	1,450,928	2,898,100	529,040	327,500	(303,566)	8,075,921	610,500	1,257,750	6,207,671
WATER AND WASTE WATER	2,286,737	2,408,983	688,659	2,456,805	1,165,049	1,363,611	10,369,844		12,528,901	(2,159,057)
FACILITIES	1,091,037	809,490	246,750	42,631	79,000	(56,553)	2,212,355	10,000	55,964	2,156,391
COMMUNITY SERVICES	2,787,261	747,309	383,745	277,101	126,900	169,850	4,492,165		2,416,447	2,065,718
FIRE	4,734,646	237,555	78,000	4,672	289,000	16,500	5,360,372		11,500	5,348,872
POLICE SERVICES	9,525,886	553,732	326,406	476,347	(32,500)	7,800	10,857,671	1,989,992	496,800	8,370,880
LIBRARY	8,689		987,189				995,878		42,102	953,776
ART GALLERY	463,048	136,975	33,700	50,000		(308)	681,415		152,058	391,186
	26,966,572	8,118,964	6,588,009	4,267,243	2,041,449	(6)	47,982,238	2,790,765	17,654,630	27,536,843
	50%	17%	14%	9%	4%	0%				
									OMPF FUNDING	(1,756,000)
									PIL'S AND EDUCATION RETAINED	(170,696)
									NET CAPITAL LEVY	2,796,011
									NET WATER AND WASTE WATER CAPITAL LEVY	2,159,060
									TAX PENALTIES AND INTEREST	(350,000)
									INTEREST INCOME	0
									SUPPS AND MISC TAX CHANGES	595,000
									NET TAX LEVY	30,810,218

Figure 27; 2020 Budget by Department Showing the Art Gallery

2019 BUDGETED OPERATING EXPENDITURES AND REVENUES BY DEPARTMENT										
	SALARIES AND BENEFITS	MATS AND SUPPLIES	CONTRACT SERVICES, EXTERNAL TRANSFERS, AND RENTS	DEBT PAYMENTS	TRANSFER TO RESERVES	INTERNAL ALLOCATIONS	TOTAL EXPENSES	GRANTS & MUNICIPAL CONTRIBUTIONS	USER FEES, RENTALS AND OTHER REVENUE	TAX LEVY
GOVERNANCE	488,766	535,050	228,350	1,042,433	63,500.00	180,000	2,548,099			2,548,099
CORPORATE SERVICES	1,522,508	986,728	512,250	84,574	48,500	(502,276)	2,652,284		334,950	2,317,334
PUBLIC WORKS AND ENGINEERING	2,610,957	1,412,921	2,903,100	168,627	250,000	(35,000)	7,310,605	483,000	1,486,480	5,341,125
WATER AND WASTE WATER	3,199,818	2,293,438	685,250	2,256,515	1,513,793	357,276	10,286,089		12,042,950	(1,756,860)
FACILITIES	982,685	838,590	223,000	42,633	79,000		2,165,906		52,705	2,113,201
COMMUNITY SERVICES	2,820,834	814,478	357,645	68,681	196,500		4,260,137	8,000	2,371,370	1,880,767
FIRE	4,645,549	247,555	78,000	4,672	235,000		5,218,776		11,500	5,207,276
POLICE SERVICES	9,058,649	551,529	330,634	476,347	0		10,417,159	648,618	1,541,127	8,227,414
LIBRARY	9,081		972,811		0		981,892	42,102		939,800
ART GALLERY	419,790	129,325	32,900	50,000	0		632,015	150,265	156,750	325,000
	25,772,636	7,809,615	6,303,950	4,194,479	2,392,293	0	46,472,972	1,331,985	17,997,882	27,143,155
	55%	17%	14%	9%	5%	0%				
									OMPF FUNDING	(1,140,000)
									PIL'S	(85,696)
									NET CAPITAL LEVY	2,481,000
									NET WATER AND WASTE WATER CAPITAL LEVY	1,756,860
									TAX PENALTIES AND INTEREST	(350,000)
									INTEREST INCOME	(5,000)
									SUPPS AND MISC. TAX CHANGES	535,000
									NET TAX LEVY	30,335,320

Figure 28; 2019 Budget by Department Showing the Art Gallery

Annex C - Department 2022 Budgets

COMMUNITY DEVELOPMENT AND MARKETING DRAFT 2022 OPERATING BUDGET

		2022 DRAFT BUDGET	2021 BUDGET	VARIANCE
<i>1 FTE</i>	Salaries and Benefits	197,692	123,481	74,211
Manager of Community Dev.	Materials and Supplies	43,410	43,410	-
	Contract Services	20,000	20,000	-
	Debt Payments	-	-	-
	<u>Gross Costs</u>	<u>261,102</u>	<u>186,891</u>	<u>74,211</u>
<i>Contracts</i>	Grants	-	-	-
	Other Revenue	(30,000)	-	(30,000)
	<u>Revenue</u>	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
	Net Cost	231,102	186,891	44,211
	Reserve Contribution	(30,000)	-	(30,000)
	Internal Cost Allocation	42,000	39,825	2,175
	<u>Division Levy Requirement</u>	<u>243,102</u>	<u>226,716</u>	<u>16,386</u>

Figure 29; Community Development 2022 Budget

HUMAN RESOURCES DRAFT 2022 OPERATING BUDGET

		2022 DRAFT BUDGET	2021 BUDGET	VARIANCE
<i>3 FTE</i>	Salaries and Benefits	396,464	217,594	178,870
HR Manager, HR Supervisor	Materials and Supplies	22,400	22,400	-
H&S Coordinator	Contract Services	101,000	101,000	-
<i>1 FTE</i>	Debt Payments	-	-	-
HR Contract/Fire Admin	<u>Gross Costs</u>	<u>519,864</u>	<u>340,994</u>	<u>178,870</u>
<i>Contracts</i>	Grants	-	-	-
HR Legal	Other Revenue	-	-	-
3rd Party Investigation	<u>Revenue</u>	<u>-</u>	<u>-</u>	<u>-</u>
EAP	Net Cost	519,864	340,994	178,870
	Transfer from reservers	-	-	-
	Internal Cost Allocation	(143,650)	(84,551)	(59,099)
	<u>Division Levy Requirement</u>	<u>376,214</u>	<u>256,442</u>	<u>119,772</u>

Figure 30; Human Resources 2022 Budget

CITY CLERK DRAFT 2022 OPERATING BUDGET

		2022 DRAFT BUDGET	2021 BUDGET	VARIANCE
<i>5 FTE</i>	Salaries and Benefits	573,691	569,500	4,191
Clerk	Materials and Supplies	48,250	55,700	(7,450)
Deputy Clerk Admin	Contract Services	190,090	135,000	55,090
Legislative Services Manager	Debt Payments	-	-	-
Legislative Coord.	<u>Gross Costs</u>	<u>812,031</u>	<u>760,200</u>	<u>51,831</u>
Records Mgmt. Coord.	Grants	-	-	-
<i>Contracts</i>	Other Revenue	(83,450)	(93,450)	10,000
Integrity Commis.	<u>Revenue</u>	<u>(83,450)</u>	<u>(93,450)</u>	<u>10,000</u>
Election	Net Cost	728,581	666,750	61,831
Crossing Guards	Reserve Transfers	20,000	20,000	-
	Internal Cost Allocation	(141,121)	(150,046)	8,925
	<u>Division Levy Requirement</u>	<u>607,460</u>	<u>536,704</u>	<u>70,756</u>

Figure 31; City Clerk 2022 Budget

CITY OF OWEN SOUND
CITY MANAGER
DRAFT 2022 OPERATING BUDGET

		2022 DRAFT BUDGET	2021 BUDGET	VARIANCE
<i>City Manager</i>				
		2022	2021	Variance
2 FTE City Manager	Salaries and Benefits	617,686	357,505	260,181
	Materials and Supplies	15,550	15,550	-
Executive Assistant	Contract Services	7,900	-	7,900
	Debt Payments	-	-	-
	<u>Gross Costs</u>	<u>641,136</u>	<u>373,055</u>	<u>268,081</u>
	Grants	-	-	-
	Other Revenue	-	-	-
	<u>Revenue</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net Cost	641,136	373,055	268,081
	Internal Cost Allocation	(187,890)	(77,890)	(110,000)
	Division Levy Requirement	453,246	295,165	158,081

Figure 32; City Manager 2022 Budget

CITY OF OWEN SOUND
TRANSIT
DRAFT 2022 OPERATING BUDGET

		2022 DRAFT BUDGET	2021 BUDGET	VARIANCE
1 FTE, 1 PTE Transit Terminal Op	Salaries and Benefits	113,049	109,976	3,073
Transit Terminal Op	Materials and Supplies	196,100	161,100	35,000
Transit Terminal Op	Contract Services	1,599,225	1,323,600	275,625
	Debt Payments	-	-	-
	<u>Gross Costs</u>	<u>1,908,374</u>	<u>1,594,676</u>	<u>313,698</u>
<i>Contracts</i>	Grants	(245,000)	(255,000)	10,000
First Student	Other Revenue	(203,700)	(384,250)	180,550
Snow Removal	<u>Revenue</u>	<u>(448,700)</u>	<u>(639,250)</u>	<u>190,550</u>
	Net Cost	1,459,674	955,426	504,248
	Reserve Contribution	-	-	-
	Internal Cost Allocation	100,569	89,300	11,270
	Division Levy Requirement	1,560,244	1,044,726	515,518

Figure 33; Transit Services Budget

Annex D - Links to Documents Referenced

<i>2022 Approved Budget</i>	https://www.owensound.ca/en/city-hall/resources/Documents/Consolidated-Budget-Book---Final-Reduced.pdf
<i>Statistics Canada 2006</i>	https://www12.statcan.gc.ca/census-recensement/2006/dp-pd/prof/92-591/details/page.cfm?Lang=E&Geo1=CSD&Code1=3542059&Geo2=PR&Code2=35&Data=Count&SearchText=Owen%20sound&SearchType=Begins&SearchPR=35&B1=All&Custom
<i>Statistics Canada 2016</i>	https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/details/page.cfm?Lang=E&Geo1=CSD&Code1=3542059&Geo2=PR&Code2=01&Data=Count&SearchText=Owen%20sound&SearchType=Begins&SearchPR=01&B1=Population&Custom=&TABID=1
<i>Statistics Canada 2021</i>	https://www12.statcan.gc.ca/census-recensement/2021/dp-pd/prof/details/page.cfm?Lang=E&SearchText=Owen%20Sound&DGUIDlist=2021A00053542059&GENDERlist=1&STATISTIClist=1&HEADERlist=0
<i>How to Give Every Dollar Purpose</i>	https://www.hoyes.com/blog/zero-based-budgeting-how-to-give-every-dollar-a-purpose/
<i>Calgary Government Financial Officers Association Review</i>	https://www.gfoa.org/materials/zero-base-budgeting
<i>The City of Calgary's Zero-Based Program Review</i>	https://www.calgary.ca/cfod/finance/plans-budgets-and-financial-reports/zero-based-review-program/zbr-reviews.html
<i>Bolstering the Fiscal Resilience of Ontario's Municipalities</i>	https://occ.ca/wp-content/uploads/Better-Budgets-Bolstering-the-Fiscal-Resilience-of-Ontarios-Municipalities.pdf
<i>Government of Canada Homelessness Program – Housing First</i>	https://www.canada.ca/en/employment-social-development/programs/homelessness/resources/housing-first.html
<i>Consumer Price Index (CPI) 2011 to 2020</i>	https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501&pickMembers%5B0%5D=1.14&cubeTimeFrame.startYear=2011&cubeTimeFrame.endYear=2021&referencePeriods=20110101%2C20210101
<i>Consumer Price Index (CPI) 2017 to 2021</i>	https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501&pickMembers%5B0%5D=1.14&cubeTimeFrame.startYear=2017&cubeTimeFrame.endYear=2021&referencePeriods=20170101%2C20210101
<i>Owen Sound Wages</i>	https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110007201&pickMembers%5B0%5D=1.95&cubeTimeFrame.startYear=2017&cubeTimeFrame.endYear=2020&referencePeriods=20170101%2C20200101
<i>Median Wages 2011 to 2020</i>	https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110004701&pickMembers%5B0%5D=1.112&cubeTimeFrame.startYear=2011&cubeTimeFrame.endYear=2020&referencePeriods=20110101%2C20200101
<i>Those Filing Income Tax for Wages or Commissions</i>	https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110007201&pickMembers%5B0%5D=1.95&cubeTimeFrame.startYear=2017&cubeTimeFrame.endYear=2020&referencePeriods=20170101%2C20200101

Annex E - 2022 Budget Tally Sheet

2022 DRAFT BUDGET - TALLY SHEET				
DIV	Division Name	2021 Draft Budget	2022 Draft Budget	Difference
1000	Mayor and Council	\$286,242	\$290,699	\$4,457
2000	City Manager & Strategic Initiatives	\$295,165	\$453,246	\$158,081
6000	Risk Management	\$29,700	\$82,042	\$52,342
2301	Non Departmental	\$586,200	\$426,700	(\$159,500)
2302	Debentures	\$1,676,517	\$1,424,710	(\$251,807)
2502	Grants	\$172,353	\$157,083	(\$15,270)
7100	Corporate Services Director	157,824	155,816	(\$2,008)
2110	City Clerk	536,704	607,460	\$70,756
2513	Animal Control	60,950	61,625	\$675
2511	Bylaw	271,122	280,016	\$8,894
2512	Parking	69,420	77,408	\$7,988
2120	Human Resources	256,442	376,214	\$119,772
2130	WHS	107,984	132,333	\$24,349
2230	Information Technology	501,069	489,585	(\$11,484)
2310	Accounting	339,116	348,330	\$9,214
2320	Purchasing	119,881	158,982	\$39,101
2360	GIS	8,959	10,531	\$1,572
2330	Tax Office	63,400	76,881	\$13,481
2140	Service Owen Sound	45,416	41,533	(\$3,883)
2400	Operations Director	87,793	109,969	\$22,176
2401	Transit	1,044,726	1,560,244	\$515,518
2402	Airport	232,573	-	(\$232,573)
2410	Works Administration	274,370	276,722	\$2,352
2411	Labour and Fleet	39,589	21,283	(\$18,306)
2412	Works Maintenance	1,022,485	1,064,164	\$41,678
2412	Winter Control	1,878,617	1,699,662	(\$178,955)
2426	Storm and Drainage	224,497	279,625	\$55,128
2501	Source Water Protection	6,500	6,500	\$0
2440	Engineering	200,770	146,001	(\$54,769)
2413	Traffic and Street Lights	465,395	471,965	\$5,970
2416	Waste Management	542,177	523,610	(\$18,567)
2417	Solar Revenue	(120,704)	(121,225)	(\$521)
2425	Landfill	219,746	222,467	\$2,721
2500	Community Services Director	55,137	53,026	(\$2,111)
2510	Building/Plumbing Inspections	(262)	4,184	\$4,447
2520	Planning	329,172	337,315	\$8,143
2532	Community Programs	(6,309)	5,032	\$11,341
2533	Facilities Bookings	(852,457)	(893,657)	(\$41,200)
2414	Parks and Open Spaces	1,484,102	1,471,684	(\$12,418)
2415	Cemetery	358,298	391,788	\$33,490
2530	Community Development	226,716	243,102	\$16,386
2540	Tourism	187,173	170,577	(\$16,596)
2541	Special Events	160,054	132,593	(\$27,461)
2430	Building Manager	47,775	18,284	(\$29,491)
2431	City Hall	206,582	208,928	\$2,346
2432	Police Building	279,285	291,642	\$12,358
2433	Bayshore	985,067	992,927	\$7,860
3436	Regional Recreation Complex	966,089	1,012,568	\$46,474
2435	Other Properties	189,665	187,236	(\$2,429)
2600	Fire Department	5,332,304	5,518,877	\$186,574
	Sub Total Net General Expenses	21,486,438	22,052,677	\$566,239
4000	Art Gallery	475,000	475,000	\$0
5000	Library	956,478	978,121	\$21,643
	Sub Total Net Operations Before Pol	22,917,916	23,505,798	\$587,882
3000	Police Services Board	37,133	44,836	\$7,703
3100	Police Officers	6,409,256	6,701,776	\$292,520
3200	Police Civilians	1,035,970	999,948	(\$36,022)
3300	Court Security	335,901	266,743	(\$69,157)
	Sub Total Net Operations After Pol	30,736,175	31,519,301	\$782,926
	Tax Supported Capital	2,475,500.00	2,628,612.00	\$153,112
	Matured Debt	156,079	418,874	\$262,795
	Sub Total Net Expenses	33,502,754	34,566,587	\$1,063,833
	Other Revenues			
100	Supplemental Assessment	(175,000)	(175,000)	\$0
100	Education Portion Retained	(85,000)	(60,000)	\$25,000
100	Appealed Tax Write Off's & Rebates	678,000	562,341	(\$115,659)
103	Penalty and Interest on Taxes	(325,000)	(350,000)	(\$25,000)
101	Payment In Lieu of Taxation (H & B's)	(78,696)	(78,696)	\$0
102	OMSP	(1,897,600)	(1,909,800)	(\$12,200)
	Sub Total Other Revenues	(1,843,296)	(2,011,155)	(\$167,859)
	Difference to Raise From Taxation	\$ 31,659,458	\$ 32,555,432	\$895,974
	Net Levy Increase			2.83%
	Previous Year's Growth	-	(59,655)	(\$59,655)
	Difference to Raise from Existing Ret	\$ 31,659,458	\$ 32,495,777	\$86,319
	Increase Realized by Tax Payers Combined Increase			2.64%

Budget Increase
Shown here as \$158,081 but shown in figure 35 above as \$268,081.

Budget Increase
Shown here as \$70,756 but shown in figure 34 above as \$44,211

Budget Increase
Shown here as \$119,772 but shown in figure 33 above as \$178,870.

Budget Increase
Shown here as \$515,518 but shown in figure 35 above as \$504,248

Budget Increase
Shown here as \$16,386 but shown in figure 34 above as \$44,211.

Shows deficit of \$475,000. This is shown in figure 27 as city contribution of \$495,000 plus a tax burden of \$10,482

Budget Shortfall

Unspent Funds from 2021

Budget Shortfall Covered by Tax Increase

Figure 34; 2022 Budget Tally Sheet

Annex F - Housing First Fact Sheet



The graphic is a dark blue rectangular box containing white text and logos. At the top left is the 'RRH' logo with the tagline 'RENT TO BE HOUSING'. At the top right is the date 'APRIL 2016' and the logo for the 'National Alliance to END HOMELESSNESS'. The main title 'FACT SHEET: HOUSING FIRST' is centered at the top. Below the title are three columns of text, each starting with a bolded section header. The first column discusses 'WHAT IS HOUSING FIRST?' and 'HOW IS HOUSING FIRST DIFFERENT FROM OTHER APPROACHES?'. The second column discusses 'WHO CAN BE HELPED BY HOUSING FIRST?'. The third column discusses 'WHAT ARE THE ELEMENTS OF A HOUSING FIRST PROGRAM?'.

RRH
RENT TO BE HOUSING

APRIL 2016

FACT SHEET: HOUSING FIRST

**National Alliance to
END HOMELESSNESS**

| WHAT IS HOUSING FIRST?

Housing First is a homeless assistance approach that prioritizes providing permanent housing to people experiencing homelessness, thus ending their homelessness and serving as a platform from which they can pursue personal goals and improve their quality of life. This approach is guided by the belief that people need basic necessities like food and a place to live before attending to anything less critical, such as getting a job, budgeting properly, or attending to substance use issues. Additionally, Housing First is based on the theory that client choice is valuable in housing selection and supportive service participation, and that exercising that choice is likely to make a client more successful in remaining housed and improving their life.¹

| HOW IS HOUSING FIRST DIFFERENT FROM OTHER APPROACHES?

Housing First does not require people experiencing homelessness to address the all of their problems including behavioral health problems, or to graduate through a series of services programs before they can access housing. Housing First does not mandate participation in services either before obtaining housing or in order to retain housing. The Housing First approach views housing as the foundation for life improvement and enables access to permanent housing without prerequisites or conditions beyond those of a typical renter. Supportive services are offered to support people with housing stability and individual well-being, but participation is not required as services have been found to be more effective when a person chooses to engage.² Other approaches do make such requirements in order for a person to obtain and retain housing.

| WHO CAN BE HELPED BY HOUSING FIRST?

A Housing First approach can benefit both homeless families and individuals with any degree of service needs. The flexible and responsive nature of a Housing First approach allows it to be tailored to help anyone. As such, a Housing First approach can be applied to help end homelessness for a household who became homeless due to a temporary personal or financial crisis and has limited service needs, only needing help accessing and securing permanent housing. At the same time, Housing First has been found to be particularly effective approach to end homelessness for high need populations, such as chronically homeless individuals.³

| WHAT ARE THE ELEMENTS OF A HOUSING FIRST PROGRAM?

Housing First programs often provide rental assistance that varies in duration depending on the household's needs. Consumers sign a standard lease and are able to access supports as necessary to help them do so. A variety of voluntary services may be used to promote housing stability and well-being during and following housing placement.

Two common program models follow the Housing First approach but differ in implementation. Permanent supportive housing (PSH) is targeted to individuals and families with chronic illnesses, disabilities, mental health issues, or substance use disorders who have experienced long-term or repeated homelessness. It provides longterm rental assistance and supportive services.

A second program model, rapid re-housing, is employed for a wide variety of individuals and

Figure 35; Housing First Fact Sheet