



THE CORPORATION OF THE TOWNSHIP OF  
**HAVELOCK-BELMONT-METHUEN**

[www.havelockbelmontmethuen.on.ca](http://www.havelockbelmontmethuen.on.ca)

PO Box 10, 1 Ottawa St. E,  
Havelock, Ontario K0L 1Z0

Phone: 705-778-2308  
Toll Free: 1-877-767-2795  
Fax: 705-778-5248

Email:  
[havbelmet@hbmtp.ca](mailto:havbelmet@hbmtp.ca)

May 2, 2011

Ruth Pezzack, Chairperson  
Havelock Belmont Methuen Lakes Association  
Havelock, Ontario  
K0L 1Z0

Dear Ms. Pezzack:

Subject: Response to 2011 Budget Correspondence

The Council and Staff of the Township of Havelock Belmont Methuen (HBM) thank you and members of the Havelock Belmont Methuen Lakes Association (Lakes Association) for the time you dedicated to attending the 2011 Budget Public Participation and Council Meetings. We believe that the input was quite helpful.

The Municipal Council reviewed the Lakes Association correspondence received on April 11, 2011.

We are confirming our understanding that two key issues were conveyed to the municipality by the written and oral communications of the Lakes Association. First, there was a concern on the part of the Lakes Association that the annual increase in gross and net expenditures of the Municipality were too high and would result in an increased municipal tax rate. Second, there was a request for the municipality to mitigate, wholly or partially, the impact of assessment increases.

The Township provides the following information to supplement the discussion held at the meetings:

The Lakes Association written and oral comments made during the Budget process highlighted an issue with the expenditure as a percentage increase 2011 fiscal year compared to 2010 fiscal year.

**FROM THE OFFICE OF**

- Reeve: Ron Gerow
- CAO: Linda Reed
- Clerk: Glenn Girven
- Fire Chief: Ray Haines  
Fax: 705-778-3415
- Treasurer/Tax Collector:  
Valerie Nesbitt
- Superintendent of Works:  
Boyd Hill
- CBO/By-Law  
Enforcement Office:  
Travis Torns  
Andrea Loyst
- Economic Development  
Officer  
Brian Grattan



*A caring community, bridging past and present;  
working together, making dreams come true.*

Ruth Pezzack, Chairperson, HBM Lakes Assoc.

May 2, 2011

Page 2

The development of the public document, Draft HBM 2011 Operating and Capital Budget was guided by a direction of Council that expenditures under the control of the Township Council be reviewed carefully by Staff to ensure at most a small increase or, preferably, a decrease in municipal tax rates for 2011.

The review of the expenditures was completed.

Both Members of Council and Staff assure you that expenditure control for the municipality is a priority.

Where Council is able to control increases such as wages of employees of the municipality, the cost of living (CPI) is used for guidance. Unfortunately, many of the expenditures of a municipality do not demonstrate increases consistent with the trend of adjusted CPI. Items such as gas and oil for vehicles and equipment, hydro, employee pension benefits and construction costs are currently increasing at a rate that exceeds adjusted CPI.

The Lakes Association correspondence received on April 11, 2011 appears to consider that issue by suggesting an acceptable annual expenditure increase of 3% - 4%.

The review of costs examined all areas but placed special emphasis on the two categories of highest expenditure increase. These are the Roads (Works Department) and Police Department. The concentration of increase for Roads in the operating budget is for roadside, hard top and loose top maintenance. Specifically, increases in brushing; tree trimming and removal; shoulder maintenance; dust control; washout control; gravel resurfacing; and grading and scarifying. These are areas of need within the municipality.

The Police cost increase is a result of operating cost increases in the HBM Township contract with the Ontario Provincial Police and reflects the Township's allocation of increased Ontario policing costs. We understand that the key cost drivers are in the salary and benefit and operating (gas and vehicle cost) categories.

Also included in our review of expenditures was the requirement to consider the financing needed to repair or replace municipal assets, as and when required. We will continue to consider all options available for cost sharing the replacement of assets. The asset replacement review will continue during the 2011 and future fiscal years and form part of budget deliberations annually.

The request of the Lakes Association regarding the mitigation of the impact of phase-in of assessment increases is difficult for any municipality to address. Assessment increases are linked to the individual properties based on current value assessment (CVA) as assigned by the Province through its agency the Municipal Property Assessment Corporation (MPAC). Assessment is a factor of the asset value of the property. As the market value of the property increases, as recognized by applying the MPAC market valuation system, the property assessment increases. Waterfront property, due to the desirability and limited availability of the asset, is increasing in asset market value. On disposition, that is helpful to the owner of the asset. While holding the asset, prior to disposition, an owner is subject, through the MPAC system to regular market adjustments. The Provincially-approved, four year phase-in period does re-distribute the impact of taxation due on a property and mandates a sharing of that taxation among other property owners in the assessment category. The phase-in period for significant assessment increases is an attempt by the Province and MPAC to smooth the impact of asset value increases on property taxation, but the fact remains that the owner of the property is the beneficiary of the increased value of the asset.

Although Council can understand an owner may not wish to be subject to an assessment increase, it is beyond the scope of municipal councils to adjust for the individual market benefits of holding title to real property (land and buildings).

Notwithstanding that municipal councils cannot assume the responsibility of reducing municipal service levels for all taxpayers in order to offset the increase in assessment for some individual taxpayers, during 2011, the HBM Council approved a Township tax rate decrease of three percent (3%). The impact of this Council decision will be favourable. Depending on the individual property within the Township, the impact of the Council decision to decrease the Township tax rate by 3% may result in a property tax payable decrease; or, a full offset of assessment related property tax increases; or, a partial offset of assessment related property tax increases.

A review of the increased assessment due to growth for the 2011 fiscal year compared to 2010 highlighted that, of the approximately \$13 million increased assessment due to growth, approximately \$5.4 million ( 41% ) was within the industrial class. Approximately \$7.5 million (56.6%) was in residential. The amounts stated do not include the phase in component. Further, we are unable to identify at this time the amount of the phase in that is for waterfront residential. We will work with MPAC throughout the year to determine if we can refine any of the numbers for our use in future analyses.

Ruth Pezzack, Chairperson, HBM Lakes Assoc.

May 2, 2011

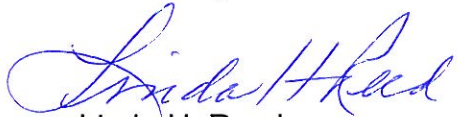
Page 4

In summary, we believe some format changes to budget presentation may be of assistance to Members of Council and to taxpayers as they review the 2012 information. This amendment in presentation, combined with an on-going review of requirements, will help us with the 2012 budget deliberations.

In closing, on behalf of both the Council and Staff of the Township of Havelock Belmont Methuen, we thank you for your time and efforts during the 2011 Budget deliberations. We are pleased that the 3% decrease in Township tax rates could be realized in 2011.

We look forward to further work on the various issues of interest to both parties.

Yours truly,



Linda H. Reed  
Chief Administrative Officer