



Review of Mississauga Financial Analysis for the Region of Peel

Financial Impact Analysis of Service Delivery Models –
Private and Confidential

March 26, 2019

Background

- In November 2003, the City of Mississauga commissioned a report from a chartered accountant firm named Day & Day entitled “Financial Report to the City of Mississauga on the Transition to a Single Tier”
- The report identified that the City of Mississauga pays approximately \$32M more in taxes to the Region than it receives in service and would in fact save this money if it were to exit the Region
- In March 2019, the City of Mississauga updated this analysis and identified that the savings from leaving the Region would be approximately \$85M on an annual basis
- Day and Day is no longer a registered accounting firm with CPA Ontario, and therefore they could not be contacted to discuss the 2003 analysis
- Deloitte was asked by the Region of Peel to look at the 2003 analysis and the update provided by the City of Mississauga for the purposes of supporting the Region’s analysis to the Regional Government Review by the Province of Ontario.
- This report is intended solely for the information and use of Mr. Stephen VanOfwegen and management of the Regional Municipality of Peel. Deloitte has not performed its services on behalf of or to serve the needs of any other person or entity. Accordingly, Deloitte expressly disclaims any duties or obligations to any other person or entity based on its use of this report. Deloitte has not performed an audit or review through this report on the Regional Municipality of Peel or the other local governments mentioned in the report. Accordingly, Deloitte does not express any form of assurance on accounting matters, financial statements, any financial or other information or internal controls. The observations that have been made in this report were designed to assist the Regional Municipality of Peel’s management in reaching their own conclusions that they are planning on sharing with the Province of Ontario through the Regional government review.

Mississauga Council Report

Review of the Updated Day & Day report

The updated 2019 Day and Day report uses the same underlying assumptions from the original 2003 report. The following are review comments on the updated report.

#	Category	Comments for Consideration
1	2019 updated report – general considerations for opposition	<ul style="list-style-type: none"> • The analysis completed (the 2019 update of the Day and Day Report) is not compatible with the council recommendation • The primary recommendation is for Mississauga to become a single tier city, yet the updating the report indicates that Mississauga would still share in the cost of services-the analysis does not support the recommendation to become a single tier • Allocating costs based on population is flawed and is not used as a property tax distribution methodology in Ontario • The logic they use could be extended to specific regions within the City itself (i.e. Is it fair that residents of Port Credit and Streetsville pay different taxes because of assessed values?) • The updated report takes an overly simplistic approach for arriving at the 2019 cost savings number of \$84.68M by simply applying growth factors to the initial 2003 cost savings number, and holding all other factors constant. The extent to which the aging capital infrastructure, new regulations, future growth, and other financial factors would affect this number are not considered. • Despite references to the Deloitte 2017 Roads work, the financial impact of that work was not factored into the report as a cost increase – therefore the assumption is that the City would just like to pay less for roads, but not take responsibility for them (inconsistent with the recommendation). • Population is not a necessary driver for all services- for instances police – crime rates and businesses would also drive costs • The updated report identifies cost savings for Mississauga of \$84.68M, and identifies cost increases of \$74.12M and \$10.56M for Brampton and Caledon respectively, resulting in overall savings of nil as whole for the Region.

Day & Day Report

Review of updated report

#	Category	Comments for Consideration
2	Other Considerations for Peel	<ul style="list-style-type: none">• Mississauga has included plans to engage in a public awareness campaign about the Regional Governance Review, and the City's position on the matter• Mississauga has included discussion that residents of the City identify separately from the rest of the municipalities in the region• Mississauga has included the argument that it provides 59% of the Region's funding, but only has 50% of the vote at the Regional Council

Day & Day Report

Review of assumptions used

The following are review comments on Day and Day's 2003 report.

#	Category	Comments for consideration
1	General – transfer of services	<ul style="list-style-type: none"> The report does not recognize the fact that the transfer of services from the Region to the local municipalities will also need to be negotiated with the other municipalities. The report does not identify any increases in costs in order to decentralize services and assumes that the local municipalities have the capacity to absorb regional services.
2	General – predicted savings	<ul style="list-style-type: none"> The report's current approach of highlighting the City of Mississauga's savings (\$31.8M) does not present the complete picture. The actual total savings of the report would comprise of the savings net of the costs that are projected for the City of Brampton (-\$19.3M) and the Town of Caledon (-\$5.8M). If all jurisdictions' savings and costs are considered, the total net savings suggested in the Day & Day report is \$6.7M. The report does not provide sufficient evidence to suggest how savings could be realized by the local municipalities and instead challenges how the regional government is currently allocating costs. The report challenges how municipal costs are charged to property tax payers and suggests that costs would be reduced if costs are allocated based on the population. The report relies on several savings rates, such as using 10% for general administrative costs, but these are not substantiated or supported. Instead, estimated savings are based on how costs are allocated (by population or weighted average assessment values) – these do not represent actual savings and are instead, representing a new way to allocate regional costs in the province. In the event that de-amalgamation occurs, the City of Mississauga would ultimately have to use assessment values to allocate its own costs to taxpayers. For instance, the costs incurred by the City would be allocated to Regions like Streetsville, Port Credit, and Clarkson based on assessment values versus their associated populations.

Day & Day Report

Review of assumptions used

#	Category	Comments for consideration
3	General – development charges	<ul style="list-style-type: none"> The report does not consider impacts of development charges. For instance, the report excludes the fact that the local municipalities' ability to collect development charges on roads, which are currently being managed at the regional level would be reduced. This would ultimately shift the burden of the costs to the taxpayers through property taxes.
4	General – credit rating and impacts on long-term debt	<ul style="list-style-type: none"> The report does not consider how credit ratings may be affected by the structural changes. In the event the Region is de-amalgamated, other jurisdictions, such as the City of Mississauga, may not be able to borrow money at rates similar to the status quo. The report also does not consider whether the City of Mississauga would have to compensate the Town of Caledon or the City of Brampton if their cost of borrowing increases.
5	General – forward-looking data	<ul style="list-style-type: none"> The report relies on historical information and does not incorporate use of forward-looking information. For instance, it does not consider how local municipalities will make investments in the future that were traditionally completed by the Region and therefore, excludes the savings that may have been realized by the Region for economies of scale.
6	Ontario Works	<ul style="list-style-type: none"> There is not enough data to determine any savings – the report currently reallocates cost based on population instead of a weighted average assessment and this is not a recognized allocation methodology.
7	Policing	<ul style="list-style-type: none"> There is insufficient information used to justify the identified savings of \$7M. Recent cost allocation methodologies used for police services suggest that costs may need to be allocated using the property count instead of the size of populations. In addition, it may be more accurate to separate the fixed cost components (e.g. salaries for civilians) from the variable cost components (e.g. time spent on service calls). The proposed allocation methodology does not consider the time actually spent by the Peel Regional Police in each municipality. A function of policing costs may be focused on more urban areas or where people tend to congregate in larger groups which would result in a larger cost for an urban municipality.

Day & Day Report

Review of assumptions used

#	Category	Comments for consideration
8	Long-term care	<ul style="list-style-type: none">• The report allocates costs based on location and budget for the individual homes within the boundaries of the local municipalities. This allocation may not be correct because there is no support to assume that a regional asset located within a local municipality, such as the City of Mississauga, would belong to that local municipality without compensation.• The report does not consider whether the long-term care homes in the City of Mississauga meet the residents' needs for current and forecasted demands.
9	Reserves	<ul style="list-style-type: none">• The report does not consider how capital projects were funded by the other lower-tier municipalities. Reserves may, therefore, need to consider an allocation approach which is partly dependent on how the associated tangible capital assets were funded.
10	Staffing costs	<ul style="list-style-type: none">• The report assumes that compensation and benefits would not change in the event of a de-amalgamation.• Each of the local jurisdictions may incur compensation and benefit costs upon de-amalgamation, especially if:<ul style="list-style-type: none">• Regional employees are absorbed by each of the jurisdictions and have different levels of compensation and benefits in comparison to the local employees; and• Termination benefits need to be provided to employees.



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