

On March 24, 2021, the Town of Rosemere hosted an information evening on key issues related to the former golf course. This included an assessment of the financial impact on the Town and the taxes of its residents. After careful analysis, in collaboration with municipal tax expert Peter Trent, we found serious errors in the figures presented by the Town.

The information shared by the Town on **the financial impact of a 50% development on the golf course** can be found [here, in the video of the March 24 briefing at 1:48:30](http://www.webtv.coop/group/video/Soiree-dinformation-sur-le-projet-de-plan-durbanisme-24-mars-2021/00901dfbe322388a93abd62c6c6415ef/0d6348960ba01869ad6c8185bd972201) :

<http://www.webtv.coop/group/video/Soiree-dinformation-sur-le-projet-de-plan-durbanisme-24-mars-2021/00901dfbe322388a93abd62c6c6415ef/0d6348960ba01869ad6c8185bd972201>

Peter Trent's response:

The Rosemere Golf Course Project:

The impact of 630 new dwellings on the Town's operating expenses.

1. Rosemere currently has a population of 14,000 living in 4,810 dwellings, or an average of 2.9 residents per dwelling. Assuming the same ratio of residents per dwelling, an influx of 630 new dwellings will add some 1,825 new residents. This is a 13 per cent increase in population. Since it is residents alone who consume most municipal services¹, the table that follows shows that a 13 per cent increase in residents will eventually result in a 10 per cent increase in the cost of providing local and regional services to them.

2. While service demand (and therefore municipal spending) grows proportionally with the number of residents, it is not a smooth growth, nor is it immediately evident. It is – especially for capital investments – very much a stepwise type of growth. Ultimately, for every 10% increase in population there will be a 10% increase in residential service demand, but it takes time to manifest itself. Additionally, in Quebec, municipal spending per resident **increases** as the municipality gets bigger. In one study², municipalities with a population between 1,000 and 2,000 habitants spent \$1,474 per resident in 2014 and those above 100,000 in population spent \$1,800. Spending also varies by region. In the *région des Laurentides*, average spending per resident in 2014 was \$1,637, or \$1,758 in 2020 dollars. Another study³ gives higher numbers: the median for Quebec in 2018 is given as \$2,328 per resident.

¹ With the obvious exceptions such as Dorval, Montreal-Est and the like.

² HEC's Palmarès 2016. *Services rendus aux autres* were removed from expenses.

³ University of Sherbrooke, Portrait des finances publiques locales au Québec, August 2020.

3. The Town of Rosemere, in 2020, spent \$31,265,572 or \$2,233 per resident after removing the cost of *services rendus aux autres*. It is true that comparing municipalities by their spending per resident is misleading, as municipalities without a non-residential sector will, all other things being equal, spend less per resident. And those municipalities contributing to an agglomeration or to agency delivering regional services (where the bill is usually proportional to real estate wealth and not to consumption of services) will show a higher spending per resident if their aggregate real estate values are higher than the norm. But for projecting cost increases **within the same municipality**, spending per resident can be a reasonable guide.
4. In the case before us and as is common practice, the developer of the golf course land (or the new residents through a local improvements tax) will pay for the road, water, and sewer infrastructure built in this territory. As a consequence, these new residents should not be charged for the *frais de financement* for the Town's equivalent infrastructure elsewhere. Since 80% of the amortized book value of the Town's *immobilisations* are made up of *eau, égouts, et rues*,⁴ only 20% of today's debt service costs relating to existing infrastructure should be charged to these new residents. This 20% consists of investments in *parcs, bâtiments, édifices communautaires et récréatifs, véhicules, ameublement, et machinerie*, which benefit the whole Town, including new residents.
5. There is the question of how much it costs the Town to provide services to the non-residential sector. Based on my experience, \$5 million would be a generous estimate.
6. Lastly, the Town of Rosemere's total real estate value (RFU) for 2020 was \$2,826,808,826. Adding 630 dwellings assessed at \$500,000 each would increase the roll by \$315,000,000, an 11% increase⁵. Therefore, the current total of \$7.8 million of *quotes-parts* for regional costs, assuming no unusual increases in the rolls of the Town's partners, would increase by 11%, or \$0.9 million.
7. In summary and putting this all together:

Type of expense	2020 Spending	How expense is incurred	2020 figures	Effect of 630 new dwellings	Spending increase %	Spending increase \$
Local residential services ⁶	\$17.7 million	∝ population	Residents : 14,000	Residents: +1,825	13%	\$2.3 million

⁴ But only 57% of the capital spending in 2020

⁵ This is a smaller increase than the population increase, as the total non-residential real estate value is unchanged.

⁶ Including interest costs for parks, buildings, vehicles, machinery, which represent 20% of total interest costs.

Local non-residential services ⁷	\$5.0 million	-			0%	\$0.0 million
Services provided to others ⁸	\$1.8 million	-			0%	\$0.0 million
Interest cost for existing road, water, sewer infrastructure ⁹	\$0.8 million	∝ population	Residents :14,000	-	0%	\$0.0 million
Regional (shared) services	\$7.8 million	∝ total real estate value	\$2,827 million of real estate value	+\$315 million of real estate value	11%	\$0.9 million
TOTALS	\$33.1 million					\$3.2 million

8. Therefore, the likely increase in spending caused by 630 new dwellings would be \$3,200,000. The Town, on March 24 of this year, claimed the new service demand would only result in a \$1,061,550 increase in spending. We have no idea how they calculated the departmental figures that totalled this number. What we can say is they are wildly at variance with the 13 percent increase in population, as the following table shows:

<u>Dépenses de fonctionnement additionnelles estimées par la ville</u>		<u>2020 Total spending (including services rendus)</u>	
<i>Fonction</i>	<i>Coûts annuels</i>		<i>% increase</i>
<i>Sécurité publique</i>	\$329,070	\$6,485,623	5.1%
<i>Transport</i>	\$256,800	\$6,941,118	3.7%
<i>Hygiène du milieu</i>	\$330,220	\$8,165,169	4.0%
<i>Services communautaires</i>	\$74,130	\$4,457,604	1.7%
<i>Administration et autres¹⁰</i>	\$71,330	\$6,092,903	1.2%
<i>Frais de financement</i>	0	\$970,129	-
TOTAUX	\$1,061,550	\$33,122,546	3.2%

⁷ Rough estimate based on my experience.

⁸ These services are billed out, so they in fact must be subtracted from gross spending.

⁹ 80% of current interest costs

¹⁰ Includes *Administration générale, santé et bien-être, aménagement, urbanisme, et développement*.

Let's look at the one cost item that has clearly nothing to do with supplying services to the non-residential sector and therefore is completely a function of residential demand alone: the *services communautaires (loisirs et cultures)*. Here we are supposed to believe that a 13% increase in the number of residents will only result in a 1.7% increase in costs incurred by the Town for recreation and cultural services.

The *reductio ad absurdum* of this claim that a population increase of 13% would result in an overall derisory 3.2% increase in spending is that, using that reasoning, if the Town of Rosemere doubled in population and in commercial area, they are saying that it would only cost 25% more to operate the Town¹¹, not 100%. This conclusion would fly in the face of, not just simple logic, but all Quebec municipal statistics for spending per resident.

Based on this unsupported and unsupportable projection, the Town would have us believe that the estimated tax revenues from this new development of \$2,003,400, less \$1,061,550 of added costs, would result in an annual surplus of \$941,850, giving an average reduction of yearly property tax to all Rosemere dwellings of \$170.

Instead, the estimated tax revenues from this new development of \$2,003,400, less \$3,200,000 of more realistic added costs, would result in an annual deficit of \$1,200,000, giving a yearly average property tax **increase** to all Rosemere dwellings of \$216.

Peter F. Trent, 18 June 2021

¹¹ $100\%/13\% \times 3.2\%$