

Frequently Asked Questions: Merger Exploration Project

The following document was prepared to answer the common questions brought up in the Stakeholder Feedback Summary prepared by Grant Thornton. The answers come from information contained in the Report of the Restructuring Committee and other sources listed in Appendix 10.18 of the Report.

1. Why is a merger being considered?

In March 2020 the Conmee suddenly found itself without its CAO and Treasurer. Conmee requested and in early April Oliver Paipoonge agreed to enter into a purchase of service agreement for Oliver Paipoonge to provide administrative services to Conmee.

Conmee requested a joint committee be established to examine restructuring possibilities, including a merger. Oliver Paipoonge agreed and on June 10th a news release was issued announcing the development.

See Section 1.2 (p.2) for details.

2. What is the impact of a merger on the budget?

Savings due to the merger are forecast to be \$304,367 in 2021, \$308,867 in 2022, and \$368,164 in 2023. See Table 3.2.1 on p.12.

After a merger the savings will be found in the budget of Conmee. Nearly \$200,000 of the savings are projected due to reductions in the administration department, primarily in staffing. Savings of approximately \$48,000 are forecast in legal, audit and insurance. A little more than \$20,000 will be saved in public works due to staffing changes and self-sourcing aggregate. Over \$60,000 is forecast to be saved in 2023 when after the 2022 election the merged municipality will have only a 5-member council (See Section 5.1).

See Sections 3.1 (p.9) and 3.2 (p.13) and Appendices 10.4 (p.77) and 10.5 (p.78) for details.

3. What impact will a merger have on taxes?

The impact on taxes depends on the amount of taxes being levied and the year in which they are being levied.

In 2020 Conmee's tax levy was \$957,288 and Oliver Paipoonge's tax levy was \$7,970,231 for a total of \$8,927,519. There will be no impact on this portion of the tax levy due to the merger for the first three (3) years after the merger. That is because savings generated due to the merger will be put in a reserve rather than returned to

taxpayers in the form of tax decreases. To achieve this different “transitional” tax rates will be used in the municipalities.

In 2024 the savings will no longer be placed in a reserve but will be used to reduce taxes. Transitional tax rates will end, and uniform, i.e., the same, tax rates will be applied in the municipalities. Therefore in 2024 the 2020 historical tax levy amount of \$8,927,519 will go down to the reduced level of \$8,559,356. Conmee’s portion of the reduced tax levy will be \$665,700 and Oliver Paipoonge’s portion of the reduced tax levy will be \$7,893,656. Therefore in 2024 taxes will go down 30.5% in Conmee and 1% in Oliver Paipoonge. See Tables 3.4.2, 3.4.2A and 3.4.2B on p.23.

See Section 3.4 (3) (p.21) and Appendices 10.9 (p.90) and 10.10 (p.91) for further details.

Inflation and other cost pressures in 2021 and subsequent years will require additional amounts to levy beyond the 2020 historical levy of \$8,927,519. These additional amounts will be levied in the municipalities using uniform tax rates, i.e., the same tax rates. See Section 3.4 (8) on p.24.

In 2024 the entire tax levy will be raised using uniform tax rates in the municipalities.

4. How much debt does each municipality have and why was it incurred?

As of December 31, 2019, Conmee owed \$881,194 and Oliver Paipoonge owed \$2,639,319.

\$374,544 of Conmee’s debt was for a grader purchase, which will be paid off in Sept. 2032. \$181,810 was for the purchase of a residence and developable land on Hume Road, which will be paid off in Sept. 2039. \$13,428 was for renovations to the Conmee Municipal Hall, which will be paid off in March 2022. \$311,412 was for renovations to accommodate the Food Bank, which will be paid off in December 2041.

Conmee’s annual debt payments are \$79,799. Rental payments from third parties cover \$31,999 of the debt payments pertaining to the Food Bank renovations and the Hume Road property acquisition (See Table 3.2.2 on p.13).

All of Oliver Paipoonge’s debt was for the Oliver Road Rehabilitation Project undertaken in 2019, which will be paid off in December 2023. The annual payments are \$688,656.

See Section 3.6 (p.28) for details on 2019 debt.

In August 2020 Conmee borrowed \$336,000 for an excavator, which will be paid off in 7 years. Oliver Paipoonge is constructing an ambulance base in Kakabeka Falls and will borrow to cover the cost, which was estimated to be \$993,349. The City of Thunder Bay will lease the base for 30 years and its lease payments will cover Oliver Paipoonge’s debt payments.

See Section 3.6 (1) (p.28) for details on 2020 debt.

5. What is the current financial position of each municipality?

Annually the Ministry of Municipal Affairs and Housing (MMAH) reviews municipal financial information and for every municipality issues a “Financial Indicator Review,” which consists of seven indicators. The latest editions available are based on 2018 information. MMAH gave both municipalities a “low” risk rating for five indicators and a “moderate” risk rating for two indicators.

See Section 3.5 (7) (p.28) and Appendices 10.11 (p.92) and 10.12 (p.93) for details on the MMAH Financial Indicator Review.

The Restructuring Committee did a financial position analysis using the 2019 audited financial statements. Six indicators were calculated for each municipality. The results are consistent with MMAH Financial Indicator Review showing the two municipalities are in a good financial position. Oliver Paipoonge has better results that indicate it is in a stronger financial position.

See Section 3.5 (p.24) for details on the financial position analysis done by the Restructuring Committee.

6. Are there up-to-date asset management plans for each municipality?

Conmee’s latest asset management plan was done in February 2017 using 2016 data. The executive summary says the replacement value of the Township’s assets is \$9.8 million. It said annually \$437,000 should be invested in assets and currently \$72,000 was budgeted, which gives an annual infrastructure deficit of \$365,000.

Oliver Paipoonge’s latest asset management was done in April 2015 using 2014 data. The executive summary says the replacement value of the Township’s assets is \$121.4 million. It said annually \$4,085,200 should be invested in assets and currently \$1,479,000 was budgeted, which gives an annual infrastructure deficit of \$2,606,200.

References to the above-noted asset management plans are in Section 4.7 (p.38) and are included in Appendix 10.18 List of Reference Materials (p.114).

NOTE: In December 2017 the Provincial Government passed O. Reg. 588/17 introducing new requirements for municipal asset management plans. By July 1, 2021 Municipal Asset Management Plans (AMPs) for “core municipal infrastructure assets” (includes water, wastewater and stormwater management) that address current service levels, asset performance, condition, age and replacement cost and the 10-year lifecycle costs and funding required to maintain those service levels. Neither of the current plans noted above meet the new requirements. O. Reg. 588/17 has additional requirements to be met in subsequent years.

7. What is the condition of the assets for each municipality?

A comprehensive condition assessment of all assets of each municipality was beyond the scope of the Report. Nonetheless condition assessments of many assets were undertaken by Oliver Paipoonge employees and recent condition assessments performed by third parties were reviewed.

Roads have the greatest asset value in both municipalities. The 2017 Conmee asset management plan says roads represent 59% of the Township's total asset value. The 2015 Oliver Paipoonge asset management plan says roads represent 75% of the Municipality's total asset value.

In 2020 Oliver Paipoonge employees did an assessment of roads in each Municipality. The assessments were done using standardized practices.

There are 67 km of roads in Conmee. Only 1.5 km are paved; the rest are gravel. The average rating is 67.7 (p.5 of the Conmee Road Study). A perfect score for a gravel road is 80. See Appendix 10.14 (p.101), Appendix 10.16 (p.108) and the Conmee Road Study posted on the Oliver Paipoonge website for details.

There are 258 km of roads in Oliver Paipoonge. 51 km are paved, 173 km are surface treated, and 34 are gravel. Perfect scores for paved, surface-treated and gravel roads are 100, 90, and 80, respectively. The weighted average score adjusted for the three rating systems is 79.7%. See Appendix 10.15 (p.106), Appendix 10.17 (p.109) and the Oliver Paipoonge Road Study posted on the Oliver Paipoonge website for details.

The Provincial Government requires bridges and major culverts to be inspected every two years by professional engineers. Conmee has 5 bridges and 1 major culvert. The average rating per the recent reports was 70, which is considered good. See Appendix 10.14 (p.101) for details. Oliver Paipoonge has 5 bridges and 7 major culverts. The average ratings per the recent reports was 69.6 for the bridges and 73 for the major culverts. These ratings are both good. Oliver Paipoonge also has the Harstone Bridge, a major structure over the Kaministiquia River. Its rating per the most recent report is 59, which is considered fair to poor. The inspection report says \$528,300 should be spent on the Bridge to extend its use beyond 2 to 3 years. See Appendix 10.15 (p.106) for details.

In 2018 Oliver Paipoonge hired an engineering consultant to do condition assessments on the Nor West Arena, municipal complex and the Rosslyn and Murillo halls. In 2020 in the same manner condition assessments were conducted on the 6 fire stations. These assessments identified certain deficiencies. The 2018 assessments estimated \$220,718 over 10 years to address the deficiencies and the 2020 assessments estimated \$947,038 over 10 years to address deficiencies. These costs have been and will continue to be incorporated in Oliver Paipoonge budgets.

There are no similar building condition assessments available for Conmee facilities.

Assets of both municipalities were visually reviewed by Oliver Paipoonge employees. These reviews are of course “high-level” and not definitive. Years of vehicles and heavy equipment are noted. Some older units may be deemed surplus to the needs of the merged municipality.

Generally speaking, most of the assets of both municipalities are in good condition. See Appendix 10.14 for details on Conmee and Appendix 10.15 for details on Oliver Paipoonge.

8. What are the projected infrastructure costs?

A comprehensive projection of infrastructure costs of each municipality was beyond the scope of the Report. Nonetheless there is information available in the Report regarding this matter.

Appendix 10.13 indicates in the last 10 years Conmee has invested \$2,412,863 in assets, which equates to \$241,268 per year, while Oliver Paipoonge has invested \$28,457,634, which equates to \$2,845,763 per year. The 2017 Conmee asset management plan says \$437,000 should be invested annually and the 2015 Oliver Paipoonge asset management plan says \$4,085,200 should be invested annually. These figures from the asset management plans suggest not enough money is being invested in assets. On the other hand, the relatively good condition of the assets overall indicates the money being invested is producing positive results.

Updated asset management plans are required to obtain more comprehensive and reliable projected infrastructure costs for both municipalities.

9. Due to the merger will new facilities and equipment be needed?

Due to the merger no new facilities or equipment will be need. For example, the existing public works garages and fire stations will continue to be used to provide services. The existing equipment will continue to be used. Of course, whether or not there is a merger existing facilities and equipment will continue to need to be repaired and/or replaced.

10. What are the current levels of spending for each municipality?

Total expenditures are \$1,538,996 in the 2020 Conmee Budget. Included in that total is capital projects of \$315,000. The tax levy is \$957,288. For further details see the 2020 Conmee Budget on the Oliver Paipoonge website.

Total expenditures are \$11,237,216 in the 2020 Oliver Paipoonge Budget. Included in that total is capital projects of \$3,512,996. The tax levy is \$8,004,798. (The difference of \$34,567 between this figure and the tax levy of \$7,970,231 used in the Report is railway “linear” payments, which are based on provincial rates and do not vary with budget expenditures.) For further details see the 2020 Oliver Paipoonge Budget on the Oliver Paipoonge website.

The 2020 Conmee Budget is approximately 13.7% of the 2020 Oliver Paipoonge Budget.

11. What aggregate resources do the municipalities have?

Conmee has a sand pit and a gravel pit. At current usage levels the sand pit and aggregate pit have useful lives of 500 and 17 years, respectively. See p.100 of Appendix 10.14 for details.

Oliver Paipoonge has two active gravel pits, Germain and Everett, and one inactive site on Mud Lake Road. At current usage levels the Germain and Everett pits have useful lives of 20 and 14 years, respectively. In 2019 Oliver Paipoonge acquired a 10ha property abutting the current pit, which is estimated to have a useful life of 73 years. Development costs of the Mud Lake site are forecast to be high. A quarry (extracting rock rather than granular material like gravel or sand) there has “unlimited” potential. See p.105 in Appendix 10.15.

12. What impact will a merger have on levels of service?

There will not be any impact on tangible services, e.g., roads, landfill, recreation, etc., due to the merger. There will be an impact on administrative services since the Conmee municipal office will be closed. All residents of the merged municipality will need to travel to the Oliver Paipoonge municipal office if they need in-person services.

13. What effect will there be on roads services?

Current levels of roads services will be maintained. The Conmee and Murillo public works garages will remain. Services could be improved if certain changes are made, e.g., clearing snow in Kakabeka from the Conmee rather than the Murillo garage could save time.

14. After a merger will Conmee roads be chip-sealed?

Chip-sealing or surface treatment is only sensible if there is sufficient traffic volume. If traffic volume is low, maintaining a gravel road is more economical. Using Oliver Paipoonge’s classifications based on traffic volumes, all of Conmee’s roads have low traffic volumes. After a merger these factors would need to be considered by the council of the merged municipality in making decisions to chip-seal gravel roads in Conmee, or Oliver Paipoonge, for that matter. See Section 5.11 (p.54) for details.

15. What effect will there be on landfill services?

Due to the merger there will not be any effect on landfill services. The Conmee landfill has 20 years of capacity remaining and the potential for more. See p. 99 of Appendix 10.14 for further details. The Oliver Paipoonge north landfill has 134 years of capacity remaining and the potential for more. The Oliver Paipoonge south landfill has 55 years

of capacity remaining, but non-compliance issues need to be resolved to realize the capacity. See p. 103 of Appendix 10.15 for further details.

16. What effect will there be on policing services?

For policing Conmee uses the OPP and Oliver Paipoonge uses the Thunder Bay Police. In 2019 Conmee paid \$96,763 for policing whereas Oliver Paipoonge paid \$1,126,916. The current policing arrangements will continue after a merger. At some point the new municipality could look at getting one police force for the entire municipality. See Section 5.4 (3) for further details.

17. What effect will there be on fire and emergency services?

No effect on fire and emergency services are expected as the result of a merger. The two volunteer-based departments would need to be integrated. Generally speaking, Conmee has greater equipment needs than Oliver Paipoonge, while Oliver Paipoonge requires more station rehabilitation. See Section 5.4 (1) for further details.

18. What changes to municipal staffing and organization will occur due to a merger?

There will be no significant changes to municipal staffing and organization due to a merger other than there will no longer be any office staff in Conmee. At this time there are no Conmee office staff so there are no severance costs to consider.

Oliver Paipoonge management will assume responsibility for Conmee's operations, and there will be no changes in management compensation or hours of work. Oliver Paipoonge office support staff will likewise assume the Conmee administrative workload. In case the workload is unmanageable a provision was made in the budget projections for a part time office support worker. See Section 3.2 (4) B on p.14 for details.

Service staff levels will be maintained. It is expected that higher wages of unionized employees and emergency services volunteers in Oliver Paipoonge will prevail in Conmee and budget projections in this Report have been made accordingly. See Sections 3.2 (4) G on p.16, H on p.17, and I on p.17 for details.

Further details on current employee levels and projected changes due to a merger can be found in Sections 5.2.

19. What happens to current by-laws of each municipality after a merger?

The by-laws would remain in effect until and unless they are changed by the council of the merged municipality. Some by-laws would need to be rewritten since it is advisable to have the same rules for certain things throughout a merged municipality. For some other things the same rules are not advisable. Discharge of firearms is allowed throughout Conmee, whereas in certain portions of Oliver Paipoonge it is not allowed. See Section 5.16 on p.58 for further details.

20. What changes to municipal councils will occur due to a merger?

After a merger the Mayor of Connemee and a Councillor from Connemee would join the 5 Council Members of Oliver Paipoonge as Councillors to create a 7 member Council for the merged municipality. The Mayor of Oliver Paipoonge will be the mayor. Oliver Paipoonge compensation practices would apply. The 2022 election would reduce the size back to 5 members to be elected at large. See Section 5.1 (1) on p.40 for further details.

21. What are the pros and cons of a merger?

Pros and cons are provided in Section 8 on p.64.

22. What are the benefits of a merger for each municipality?

Benefits are described in Section 1.3 on p.3.