

**CONSIDERING THE PUBLIC INTEREST AS
PARAMOUNT IN BUDGET DISCUSSIONS**

SUBMITTED BY CRAIG GAMMIE

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I would like to talk about the concept of the public interest and net public benefit and the use of that concept in making budget decisions. The concept is useful in all budget decisions but I would like to focus on grants.

There are and will be requests for grants.

Two things I suggest are important for context:

- 1.) Section 107 of the Municipal Act
- 2.) The plight of Mary Ellen Smith

1. Section 107 of the Municipal Act

Section 107 indicates when grants can be made:

“General power to make grants

107. (1) Despite any provision of this or any other Act relating to the giving of grants or aid by a municipality, subject to section 106, a municipality may make grants,to any person, group or body,for any purpose that council considers to be in the interests of the municipality.

1. In the ACT, ““municipality” means a geographic area whose inhabitants are incorporated””

Anything council “considers” to be in the interest of the municipality is OK.

At first this “considers” condition may appear to be a loophole as a majority vote for a grant might be considered a tacit indication that council “considers [it] to be in the interests of the municipality” even if the interests of the municipality are not really considered or discussed.

But if I can convince council to formally consider the interests of the municipality then maybe the loophole will not be used.

2. The plight of Mary Ellen Smith

Mary Ellen Smith is a fictitious name but the character is based on a composite of real people.

Mary Ellen is a Sauble Resident on a communal small water system.

Mary Ellen is a senior and a widower, and her only income is CPP and OAS totaling less than \$20,000.

Her water bill takes one sixth of her income. She barely gets by on her meager income, and has no idea how she is going to pay the \$8,000 plus small water users capital bill that she expects any time now.

Any tax increase, for example to fund grants, will put her out of her home. And for that matter, every grant given puts most of the residents a little closer to Mary Ellens situation, and a little closer to foreclosure.

So in addition to section 107, it is important to consider the impact of grants on Mary Ellen Smith and every other tax paying inhabitant.

Purpose

My purpose is to show a way to consider the interests of the municipality, which I will call the public interest, and hopefully persuade you to use it.

How do you tell whether a grant is in the public interest?

You can do very serious analysis or some fairly simple analysis.

The method I would use to evaluate grant requests is to determine "Net Public Benefit".

Net Public Benefit is simply Public Benefit less Public Costs, where:

Public Benefit = Town Revenues resulting from grant, Public Services resulting from Grant, any other public benefit

and,

Public Cost = taxes to fund grant, loss of enjoyment of property, loss of enjoyment of home, loss of security, any other public detriment

The principle is that grant proposals with zero or negative Net Public Benefit should be denied.

Many grant requests list benefits and say they are town benefits. They don't say whether they are private or public benefits, but the implication is that they are public benefits.

But in most cases that I have seen the benefits proclaimed are really private benefits.

Private benefits do not appear in my net public benefits equation because they are not relevant to decisions regarding grants.

The only things relevant are public costs and public benefits.

A net public benefit analysis is sometimes difficult to do quantitatively. But even qualitative analysis will help.

So please ask staff to do the analysis for all budget requests and make sure you are comfortable with it. And then do the right thing – deny requests with negative net public benefit.

Do the right thing to comply with the law, and for all of the residents, and to do your best to keep all of the Mary-Ellen's in their homes.

Examples of Net Public Benefit Analysis

I have assessed two grant requests recently. One is a request for grants for festivals and events and one was for a mortgage guarantee for a property. My assessments appear as items 4. and 9. in schedule "B" of the 25 January 2011 council agenda.

While both grants, if given, would result in significant private benefits, I assessed the public benefits in both cases as small or nil. But both have significant public costs.

So I assessed the Net Public Benefits in both cases to be very negative, and on that basis I am saying that neither would be in the public interest. And on that basis I recommended both be declined.

**THE GOAL IS A REDUCTION IN TAXES – TAX RATE
(MIL RATE) IS IRRELEVANT**

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Tax rate is not a good indicator.

If you have a situation in which the only year-over-year change is a 10% increase in house values, then taxes on all houses will remain exactly the same. But the mil rate will drop by 10%. But that doesn't mean there as a tax decrease. Mil rate is irrelevant.

If you have a situation where property inflation is 10% and taxes on all properties goes up 5% but everything else stays the same, then the mil rate will fall by 5%. So there will be a 5% tax increase at the same time as a 5% tax rate decrease. Mil (tax) rate is irrelevant.

In 2010 the total tax levy went up by about 8 or 9%. Taxes on the average residence went up about 6 or 7%. This was unacceptable. This year taxes on the average home should go down at least 7% to make up for last year increases.

I see much good in the proposed budget. But it is still a significant tax increase. So much more trimming is needed.