Financial Analysis for the Restructuring Study

Maclaren Municipal Consulting

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Mandate

This report is the result of a financial analysis of the financial impact of a possible amalgamation of the Village of Sundridge and the Townships of Strong and Joly. More specifically if will answer the following questions. The question numbers relate to questions raised by the SSJ Restructuring Committee which has already held public meetings on the issue.

Q3 – Will amalgamation lead to lower costs for residents? If so, how?
Q7 – Will amalgamation increase my property taxes? If so, by how much?
Q8 – How will municipal debt and assets be distributed among the three municipalities?
Q9 – Will there be any cost savings from amalgamation? If so, where will these savings come from?
Q20 – Will existing municipal staff lose their jobs as a result of amalgamation?

Question 3 requires the development of a short- and long-term costing model for the current vs. the amalgamated structure, and the identification of one-time costs. For the purpose of our analysis, we have made the following assumptions concerning amalgamation, which are consistent with the deliberations of the SSJ Restructuring Committee and/or provincial law.

- All employees will be kept until they voluntarily leave the new municipality.
- Some municipal employees will be asked to do different work. This may cause some employees to leave the municipality.
- Employees who leave the municipality will receive the compensation they are entitled to.
- All non-supervisory workers will be given a vote whether to join CUPE, the current union at Strong.
- The amalgamation is assumed to occur in 2026, after the municipal election.

The municipalities

All three municipalities are in the District of Parry Sound, between Huntsville and North Bay, with Algonquin Park just to the east. There is a Social Service agency covering all three municipalities (and more), a Heath Unit, and a Home for the Aged, however there is no upper tier municipality, so all other services are provided by the municipalities.

Key data on the municipalities is provided in the table below.

Key Data for SSJ Municipalities

	Sundridge	Strong	Joly	Total
Residents (2021)	961	1,566	293	2,820
% Change since 2016	-2.40%	8.80%	-3.60%	
Private Dwellings	458	953	155	1,566
With usual residents	436	660	127	1,223
Land area (sq km)	2.25	159	194	355.25
Km of Road	28.8 lane km (14.4 km of road)	350 lane km (176 km of road)	51.1 km of road	
Km of Sidewalks	2.482	-	-	2.482
Wastewater System	31 km of mains. 1 lagoon	Small number of houses on Sundridge system – pay for service		Amalgamated municipality residents receiving service would pay for it.

As is evident from the above, Strong is the largest municipality, while Sundridge is a more densely populated village at the north of Lake Bernard. All municipalities promote their connection to the outdoors and the lakes in the area.

The municipalities offer a large number of services through shared services which allow residents of each municipality to access the service. The key items are:

- The SSJ (Sundridge, Strong, Joly) Arena
- The Sundridge-Strong Union Public Library
- The Sundridge & District Medical Centre
- The Sundridge-Strong and the South River-Machar fire departments
- The Strong Landfill, which serves all three municipalities (while charging a fee)
- The By-law Enforcement Services (BLEO) contracted by Strong, Joli, Burks Falls and South River. Sundridge shares MLEO services with the Township of Armour
- The Chief Building Officer, shared with 7 municipalities
- The Emergency Management Program (includes SSJ and South River)

The only change to the Shared Services would be in Fire Services as it relates to Joly, which would not need to contract with the South River-Machar Fire Department as the mutual aid covenants would be sufficient.

Each municipality has a public works function that looks after the roads, and Sundridge has a sewer system. The sewer system would be charged against users only.

The operating revenues and expenses in 2024 (the last year for which consistent data is available) were as follows:

2024 Municipal Receipts and Expenditures

	Joly	Strong	Sundridge
Revenues			
Tax Revenue	888,017	3,111,705	1,999,902
Provincial Funds	264,800	549,900	476,200
Plus washout payments (not rec'd)	0*	332,341	0
Other Income**	85,313	822,914	520,202
Total Revenues	1,238,130	4,816,859	2,996,304
Expenses			
General Government	290,121	958,669	869,319
Roads	367,542	1,706,402	396,337
Sewers	0	0	416,664
Protective Services	176,793	743,422	423,914
Environmental Services	24,370	367,026	159,747
Recreation & Culture	51,497	496,433	184,618
Parks	0	17,650	69,328
Crossing Guards	0	0	18,820
Health Services	50,879	275,962	132,154
Social Services	51,583	247,544	86,759
Land Use Planning	34,002	32,208	31,255
Contribution to Capital	191,343	512,807	311,646
Total Expenses	1,238,130	5,358,124	3,100,561
Per Capita	$4,226	$3,422	$3,226 (incl Sewers)***

*Joly did not record in 2004 washout payments not received ($55,800)
**Other Income includes receipts from other municipalities for shared services
***Sundridge includes some properties that are not connect to sewers and do not pay for sewer operating or capital)

Strong experienced a flooding event in 2024 ($527,000) and 2025 ($311,500) and the application for provincial assistance, the MDRA (or Municipal Disaster Recovery Assistance) was submitted, $492,000 was approved but the funds have not yet been received.

Joly also had a flooding event in 2024 which cost about $75,000 and 2025 which cost about $503,000. Joly has been approved for about $55,800 related to 2024 but has not been paid yet. The potential revenue is not recorded in their statements.

The costs and benefits of amalgamation as they relate to the budgets are summarized later in this report.

The total debt of the municipalities, not counting the washouts (which may be largely covered by provincial grants), was as follows:

Municipality	Joly	Strong	Sundridge
Total (end of 2024)	420,411	1,946.266	2,145,306
Principal Payments in 2025	152,282	295,616	188,650
Principal Payments in 2026	121,012	499.694	182,540
Net debt	147,116	$1,150,956	$1,774,166
Per Capita	502	735	$482 + $1,364 (common + sewer)

The sewer debt in Sundridge can be treated separately as it would be charged against sewer users only. The other debt in Sundridge is very close to that in Joly, however both are approximately 41%, lower than that in Strong. Strong's debt exceeds $500 per capita by about $472,000.

Similarly, the waste collection cost of $40,605 will be charged only to those residents who enjoy the service (recycling costs of $32,992 will not be a municipal responsibility in 2026, although some municipalities may choose to collect additional materials or properties).

Tax Impacts

There are two factors related to tax impacts, the tax ratios, and the tax rates. To calculate the property tax, the assessed value of the property is multiplied by the tax ratio and then by the tax rate.

Tax Ratio	Strong	Joly	Sundridge
Residential	1.00	1.00	1.00
Commercial Occupied	1.160787	1.0486	1.087928
Shopping Centre			1.087928
Farm	0.25	0.25	
Industrial Occupied	1.270404	1.0486	1.146347
Multi-residential	1.109115	1	1.00226
Pipeline	0.865249	0.25	0.651275
Managed Forest	0.25	0.25	
Landfill Sites	1.56782		

The tax ratios are very similar. Most houses are Residential, and the tax ratio would be 1.000. Similarly, farm (.25) and Managed Forests (also .25) are also the same. There are small differences in the commercial and industrial rates and in the Multi Residential rate, which would have to be addressed by a new Council, likely phasing in any changes. The Sundridge commercial rate could be adopted as it contains the most commercial assessment. However, the industrial rate may need to be addressed over time to prevent significant changes. There is only one landfill site, and it is in Strong.

The tax rates are identified in the table below.

Tax Rate	Strong	Joly	Sundridge
Residential (non sewer)	0.01152551	0.01609294	0.01642782
Residential (sewer)			Local improvement charge

The “Non sewer” rate in Joly is 39.6% higher than in Strong, and the rate in Sundridge is 42.5% higher than in Strong – although it is only 2.1% higher than that in Joly.

The table below shows the adjustment that would be required to achieve equality among the three municipalities.

Tax Requirements Under Amalgamation

Tax Requirements	Strong	Joly	Sundridge
Current Share of Tax Revenue	51.9%	14.8%	33.3%
Future Tax Revenue	3,624,537	740,798	1,634,343
Reduction/Increase	16.5%	-16.6%	-18.3%

Taxes would need to increase in Strong by 16.5% to maintain the current property tax revenue, which would result in reductions in Joly of 16.6% and in Sundridge of 18.3% (property taxes only – the rates from sewer charges would not change). Note that this is before any savings that might result from amalgamation.

Council

There are currently 15 councillors (including the Mayors and Deputy Mayors). They cost about $236,000, including their allowances in 2024. A new municipality could operate with 5 councillors, costing about $130,000, for a saving of $106,000. Each of the municipalities would lose their ability to decide matter individually, although as constituents, residents would have the right to influence decisions.

Staff

Compensation will change as a result of two factors:

- The compensation provided to employees will rise to the highest level of equivalent employees in the new municipality. This will occur whether or not the non-supervisory employees vote for or against the union. A vote for the union could increase the use of leave and decrease the number of hours before overtime is paid. The union agreement already allows for the adjustment of start-times in the winter, to accommodate winter snowfall.

- Some employees may receive additional payment for the additional duties they assume. However, we note that there will still be less than 3,000 residents, so the adjustments will be modest.

The Table below shows the current staff of the three municipalities.

Staff of the Three Municipalities in 2025

	Sundridge	Joly	Strong
Clerk/Municipal Administrator	1	1	1
Deputy Clerk/Treasurer	1	1	1
Deputy Clerk	1		1
Senior Office Assistant	1		
Office/ Admin Assistant	1		1
Treasurer/Tax Collector	1		1
Public Works Supervisor/Foreman	1	1	1
Assist. Foreman/Roads Lead Hand	1		1
Public Works Operators	2	1	3 (+1 PT)
Crossing Guards	2		
Shared Services (stay the same)			
Landfill Supervisor			1
Landfill Assistant			2
Arena Facility Manager			1
Arena Facility Attendant			2
Librarian C.E.O.	1		
Librarian Assistant	1		
Fire Chief	1		
Fire Prevention & Assistant Training Officer	1		
CEMC	Contract	Contract	Contract
By-Law Enforcement	part	part	part
CBO (varies by revenue)	part	part	part
Full-Time Staff	16	4	16
Cost	$1,051,559	$258,665	$1,168,000
Cost /capita	$1,094	$883	$746

The 36 full-time staff and the part-time summer staff cost a total of $2,478,233 in 2025. Sundridge staff costs the most but provides the widest range of services. Assuming no-one is fired, there would be no short-term savings in staffing, in fact there is the potential to increase expenditures by $21,500 if union wages are adopted and an allowance is made for increased duties.

There are also 7 individuals who would be available for other duties. Five of those would come from the administration and two of them would be from the Public Works area. Strong has suggested there is a need for additional resources to prepare grant applications, and this would certainly provide that. The SSJ committee has suggested a mechanic, staff in parks and recreation (including cemeteries) and one in planning. The mechanic and the planner would require skills that don't currently exist, but current staff could at least process planning applications which might minimize that demand for contract staff, and some of the operators can continue to carry out some routine maintenance of vehicles. However, we leave it to a new elected Council to determine what to do with the 7 staff not required to carry out current services. In the short-term there may be some savings as the staff not required for corporate duties retire or find other employment.

Longer term, the seven positions could be saved, either directly or by hiring skilled staff that would either improve service levels (e.g. parks staff) or be able to carry out work that would reduce contracts (e.g. mechanic and planner positions). The savings from eliminating the seven positions could be as much as $489,000, partially off-set by the creation of a CAO position (a little higher than the Clerk/Municipal Administrator rate) and by the creation of two AP/AR Clerks and a clerical position in Public Works to assist the Public Works Supervisor, which could reduce the savings to $330,000, longer term. The two AP/AR Clerks would be required to replace higher cost staff as they retire or find other employment. The Public Works Clerk would be required to replace the Public Work Superintendent, who is among the 7 positions not required and would be a lower paying position.

Any further hiring would result in improved service levels or be justified based on contract savings (note about $90,000 is paid by the municipalities for land use planning) and is not included as a cost or benefit of amalgamation, although the larger scale may enhance those benefits.

Service Adjustments

There is no reason that services will be adjusted due to amalgamation other than the items described below:

- Perhaps the most important factor is that many of the shared services committees could be eliminated, along with the need to prepare agendas, keep minutes and pay (or require) staff to attend the meetings of these committees. It would also eliminate the need to attend three council meetings to gain approval of the actions approved by the committees.
- The Fire Service from Sundridge would serve Joly, eliminating its need to pay for service from the South River Fire Department. This could save up to $26,930.

- There are a few properties in Strong that could be served by the Sundridge sewer system. If this occurred, the properties in question would be liable to share the costs of that sewer system. Some further development within the Sundridge village may also be possible.
- Public Works routes may be adjusted. There are some agreements between municipalities that relate to road maintenance, but generally routes turn around at the existing municipal borders. Amalgamation would allow those routes to be set without regard to the borders. This may result in some improvement and may allow some additional roads to be winter maintained, but it is unlikely to result in a staff reduction or saving.
- The surplus staff could be assigned to prepare grants or maintain parks in the three municipalities. Assigning staff to maintain parks could result in higher community expectations such as an expectation that staffing would continue.

Vehicles

The three municipalities have specialized in Freightliner vehicles for both winter and summer road works, and for The Sundridge-Strong Volunteer Fire Department larger vehicles.

Municipal Vehicles

Freightliner		
2022	Freightliner 114SD	Joly
2018	Freightliner tandem plough truck	Strong
2020	Freightliner tandem plough truck	Strong
2021	Freightliner tandem plough truck	Strong
2014	Freightliner 1085D	Sundridge
Pick-up Trucks		
2019	GMC Sierra 1500	Joly
2018	Chev Silverado 1500 reg cab	Sundridge
2021	V-Plow attachment for Silverado	Sundridge
2021	Chev Silverado w Dump Box	Sundridge
2024	Ford F150 with plow	Strong
Fire Department		
2003	FL80 Pumper	Sundridge-Strong VFD
2006	Freightliner M2 Tanker	Sundridge-Strong VFD
2016	Freightliner Pumper/Tanker	Sundridge-Strong VFD
2024	Freightliner M2 106 4 door	Sundridge-Strong VFD
2018	Dodge RAM 5500 Hemi (Rescue 2)	Sundridge-Strong VFD
2019	Chev 2500 Silverado	Sundridge-Strong VFD

The emphasis on Freightliner vehicles is one reason for the suggestion that a mechanic be engaged as is the size of the fleet a new municipality would be responsible for. One of the displaced persons could serve as a mechanic for the short term. While this may be a useful idea, it is something the new municipality should consider.

There are also a range of equipment, for instance graders, steamers, back hoes, loaders etc. The vehicles and equipment are doing everything they will be required to do in the future. They are plowing the roads, responding to the fire calls, etc. There is nothing new they need to do, and they will require replacement from time to time. It may be possible to retire some equipment based on the capacity of equipment from another municipality, but that would not result in a material saving.

Buildings

There are some opportunities as it relates to buildings. The current buildings are:

- 871 Forest Lake Road, contains the municipal office of Joly, the public works garage and a solar panel which has been active for some time.
- 110 Main Street is the location of the Sundridge municipal offices, the library and the public works garage.
- Younge Street – Sundridge has a Public Works Office Building and Sheds, including a Sand/Salt shed
- Municipal Lane – Strong contains a municipal office, a 5 bay public works facility, a public works building, all in reasonable shape, and suitable for use by a new municipality. The location is very close of Highway 11, just east of Sundridge.
- Strong also contains a land fill on Forest Lake Road, east of the village. It is the potential site of a new public works garage, although that is an issue for a new Council of an amalgamated municipality to decide.
- Sundridge also contains the Sundridge Strong Fire Department at 10486 Highway 124 in the Village of Sundridge.
- The arena (just west of the village)
- 5 Parks St., the Medical Centre

There is some discussion about using the surplus capacity in the Strong offices to accommodate some additional staff and potentially replacing the municipal garages at the solid waste site. The new location would be closer to the centre of the municipality, however only marginally so, and not enough to save a winter maintenance route. There is plenty of capacity in the Sundridge and Strong sites to meet the short-term requirements and allow the sale of the Joly site. The Joly site has been estimated as worth $250,000 to $500,000. We will use the lower of the estimated for the purpose of this report.

One Time Expenses

The major one-time expense would be the creation of an official plan and zoning by-law for the new municipality. A new plan is required every 10 years. It is estimated that such a plan could cost $200,000 to $300,000, and it could be useful as it would consider the current capacity of the sewer system and allow some Strong residents to access the system. It might also be able to identify some new development opportunities. However, it would largely be based on the existing official plans and zoning by-laws with the exception of the fringes of the current village.

Other one-time expenses could include a retirement bonus if one was offered to current municipal employees, as has been the case in other amalgamated municipalities. This approach should only be contemplated with the support of the province as it could cost up to, or exceed the current salary of the employees involved, although it would move the new municipality towards the "long term" financial view, rather than the short term. It is estimated that a benefit aimed at the 7 employees who would otherwise be surplus would cost $500,000 to $600,000 assuming most employees are long term.

Summary of Impact

The short-term and long-term financial impact on the municipality are summarized below:

Annual Impact

Item Creating Impact	Short-term Impact	Long-term Impact
Council	(106,000)	(106,000)
Employees	21,500	(330,000)
Joly contract with South-River Machar	(26,930)	(26,930)
Total	**(111,430)**	**(462,930)**

- Long term impact is shown in 2025$

The one-time costs could be:

One-time Costs

Item Creating Impact	Lowest Cost	Highest Cost
Official Plan and Zoning By-law	200,000	300,000
Employee Incentives	500,000	600,000
Potential Sale of Surplus Property	(250,000)	(250,000)
Total	450,000	650,000

It should be noted that the province paid the one-time costs of the forced amalgamations that occurred in 1995 through 2000.It is not clear if the province would take the same position now, although a voluntary amalgamation would be a significant accomplishment. The municipality could avoid the largest one-time cost by eliminating any potential employee incentives. The result would be a much slower realization of benefits of amalgamation.

Answers to the Questions:

Q3 – Will amalgamation lead to lower costs for residents? If so, how?

A clear answer would be yes. The major savings would occur through the ability to eliminate seven staff positions, while creating only three lower cost positions. As noted in the report, the lower cost staff positions need to be created coincident with the departure of the corresponding staff positions, The longer-term savings would relate to the current existence of three clerk administrators, two assistant clerks, two treasurers, two deputy treasurers, one deputy clerk/treasurer and three superintendents of public works.

The total savings would be:

Annual Impact

Item Creating Impact	Short-term Impact	Long-term Impact
Council	(106,000)	(106,000)
Employees	21,500	(330,000)
Joly contract with South-River Mahar	(26,930)	(26,930)
Total	(111,430)	(462,930)

This does not take into account the one-time costs. The one-time costs of conducting an official plan and zoning review would be off-set by a decision to sell surplus property, and by the need of the three municipalities to review the official plan and zoning every ten years (the related savings would depend upon when amalgamation occurs).

The employee incentives would accelerate the savings from employee departures and would be recovered within two years. However, they could also be avoided if not funded by the province.

Q7 – Will amalgamation increase my property taxes? If so, by how much?

Amalgamation will result in increased property tax in Strong. If there are no savings from amalgamation the increase could be 16.5%. Even the short-term savings would reduce the tax increase to 12.5%. In the long term, assuming full savings from staffing, the increase would be reduced to 7%. Note that some members of Council believe that Strong taxes are already too low and as a result Strong does not have the capacity to apply properly for provincial grants. Joly and Sundridge would experience tax decreases of 16% to 18% with no savings from amalgamation, and longer term, would experience tax decreases of 30% to 32% - if no service levels are increased.

Tax Impacts of Amalgamation

Tax Requirements	Joly	Strong	Sundridge	Combined
Current Tax Rate	0.01609294	0.01152551	0.01642782	0.013425
Current Tax Revenue	888,017	3,111,705	1,999,902	5,999,623
Current Share of Tax Revenue	14.8%	51.9%	33.3%	100%
Future Taxes				
Future Tax Revenue	740,798	3,624,537	1,634,342	5,999,678
Reduction/Increase	-16.6%	16.5%	-18.3%	0%
With Amalgamation Reductions				
Short Term	727,040	3,557,219	1,603,988	5,888,247
	-22.14%	12.52%	-24.68%	-1.89%
Long Term	683,638	3,344,868	1,508,237	5,536,743
	-29.9%	7.0%	-32.6%	-8.4%

Q8 – How will municipal debt and assets be distributed among the three municipalities?

The debt related to the sewage system will be recovered from those who use the sewage system. It is the only service that is not provided to all residents.

The debt related to particular assets, particularly the shared services, will continue to be allocated to the shared services. For example, the medical centre, the arena and the fire department will each be responsible for their portion of the debt, and the accounting system should show their debt servicing as part of their costs. Strong has the greatest debt per person and will experience the largest tax increase due to amalgamation. It is suggested that the amalgamated municipality assume the debt of each municipality and that Strong tax increases be seen as compensation for the higher level of debt. Each of the municipalities has a municipal headquarters, a public works facility and trucks and equipment related to their roads and other assets that require maintenance. Those assets will be folded into the new municipality, and the new municipality can determine which assets to keep, and which to retire.

Q9 – Will there be any cost savings from amalgamation? If so, where will these savings come from?

The major source of potential long-term savings will come from reducing staffing. Five of those would come from the administration and two of them would be from the Public Works area. Three will need to be replaced with lower cost clerks. An additional savings will come from the merger of the three Councils into a single Council. We have assumed the new Council will cost more than any existing Council but still expect savings of $106,000. There is also the current contract between Joly and the fire department in South River-Machar. It would not be required if Joly was covered by the Sundridge/Strong Fire Department, which would result in a savings of $26,930.

Q20 – Will existing municipal staff lose their jobs as a result of amalgamation?

No municipal staff would lose their jobs under the amalgamation, although some might be assigned to other work. The financial analysis does conclude that each would retire, find other work, or replace someone else who retired or found alternative work before the “long-term” savings are realized. If the province were to fund an employee incentive plan, some employees would have the option to leave the municipality, but none would be required to leave.