

# Ernst and Young report finds astronomical risk if Caledon separates from Peel Region

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A report produced by firm Ernst and Young revealed changes to Peel Region could save money for municipalities or increase costs over half a billion dollars.

The Financial Impact Analysis of Service Delivery report was commissioned at the request of Region of Peel Council.

"The EY report affirms the position Caledon Council unanimously took in April to support the existing two-tier regional governance model," said Mayor Allan Thompson.

The firm looked at municipal services such as roads, transportation, public works, police, and water under three governance scenarios. They are the status quo in support of the current two-tier government, amalgamation of one new entity comprised of the Region of Peel, City of Mississauga, City of Brampton and the Town of Caledon and dissolution thereby transferring regional services and responsibilities to the respective three municipalities.

"To me there are two key take-aways from the EY report," said Thompson. "First, what we've got right now works well. Second, taxpayers could be on the hook for hundreds of millions if the province changes the status quo."

Brampton City Council was in favour of the current regime, while Mississauga on the other, who has a population of over 700,000 people continues to fight for their own independence, wanting to dissolve all ties from the Region of Peel.

"We have a 40-plus year history of working well together at the Region," said Thompson. "I respect the position of both Brampton and Mississauga; I recognize and applaud Brampton for using an evidence-based approach and for looking at the greater good."

This follows a report by Deloitte, commissioned by the Region of Peel, where it was suggested that leaving the Region would cost Mississauga billions of dollars. Mississauga Council disputed the claim.

A steering committee, composed of Chief Administrative Officers (CAOs) and Chief Financial Officers (CFO) of aforementioned municipalities, governed the Ernst and Young analysis. This was done to reflect a reasonable interpretation of the potential impact of alternative service delivery models. The study was conducted between April 26 to May 21.

About 10 steering committee meetings were conducted and interviews with about 100 municipal officials were held. The firm states over 1,500 calculations of financial impact were completed.

Since the Province of Ontario launched the Regional Government Review, my priority has been to represent the interest of Caledon taxpayers, ensure their voice is heard and continue to ensure we deliver the services they need efficiently and effectively," said Mayor Allan Thompson. "Council's position to maintain the status quo reflects a "why fix what isn't broke" approach. We now look to the provincial advisors and the provincial government to consider the findings of this report and make a decision that's best for Caledon."

The current net cost "status quo" - of providing services from 2020 to 2028 is \$26.1 billion.

EY states under an amalgamation, costs range from a decrease of about \$100 million to an increase of upwards to \$500 million, according to the report. Similarly, dissolution costs could remain the same as the status quo or they could increase upwards to \$600 million.

There is a risk that the net cost of providing services to all taxpayers in the three municipalities could increase by \$500 million to \$600 million by 2028.

‘It’s hard to predict but as the report makes clear the potential costs are enormous,’ said Thompson. ‘And if costs go up either taxes go up or services are impacted.’

The report states a key driver of dissolution costs is the way Peel Region Police (PRP) would be dissolved, and is assessed under multiple options that on its own has a range of decrease of \$1 million to an increase of \$52 million (2022 in 2018).

It should be noted that PRP only serve Mississauga and Brampton. Caledon has a control with the Ontario Provincial Police who patrol all provincial highways and side roads of large.

‘The dissolution scenario has differential local tax impacts that result in a potential shift in tax burden as Regional services are transferred,’ the report states. ‘On an annualized basis at 2022, the calculated shift for Brampton ranges up to \$45m (\$2018); calculated shift for Caledon is as low as \$53m savings (\$2018); calculated shift for Mississauga ranges as high as \$84m (\$2018).’

Further, Brampton would gain \$7.4 billion in capital assets and \$749 million in debt, Caledon would gain \$2 billion in capital assets and \$71 million in debt and Mississauga would gain \$8.8 billion in capital assets and \$1.1 billion in debt.

‘According to the EY report, if all the municipalities were amalgamated the potential costs could be over half a billion dollars,’ said Thompson. ‘And for what? Would we get better service? Would tax dollars be better used? I believe the risks far outweigh the potential benefits. That certainly doesn’t mean we, under a two-tiered model, can’t change. The report highlights some key areas where we can make improvements to our service delivery models, both at the regional and local level. We should focus on those improvements and not on change for change’s sake.’

Thompson said he has not thought about the idea of joining Dufferin County. Instead, he firmly believes all the municipalities are stronger when they work together.

‘In fact, that is the original justification for regional government, that we can be more efficient when we pool resources and deliver some services collectively,’ said Thompson. ‘My focus has and will continue to be on protecting the interests of Caledon and its future sustainability.’

EY states more work would need to be conducted if the province does agree to alter the region as part of their plan to evaluate the efficiencies of regional governments across Ontario.

The special advisors are also examining Durham, York, Halton, Niagara, Waterloo, Muskoka District and Simcoe County along with Peel.

‘Change in overall governance structure would necessitate specific strategies and approaches to manage any transition; current and future municipal officials would need to make important policy and administrative choices in response,’ the report states. ‘The Analysis indicates the key areas of potential impact, identifies further work that would need to be conducted, and presents a financial model to help municipal managers analyze the impact of specific recommendations made by the Regional Government Review and any subsequent decisions taken by the Government of Ontario.’