Municipal Money Matters: Our Fiscal Future

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Money Matter #1

Every municipality and every local economy is different.
Census Divisions showing Total Investment Gap per Household (2006)

Legend

Investment Gap per Household
- Under $1,000
- $1,000 - $1,249
- $1,250 - $1,499
- $1,500 - $1,749
- $1,750 - $1,999
- $2,000 and over

Infrastructure Policy and Planning Division
Ministry of Energy and Infrastructure
Property Tax Effort: How much does a 1% increase raise?

<table>
<thead>
<tr>
<th>Yield from 1% Tax Increase</th>
<th>Number of Municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $20,000</td>
<td>100</td>
</tr>
<tr>
<td>$20,000 - $49,999</td>
<td>103</td>
</tr>
<tr>
<td>$50,000 - $99,999</td>
<td>87</td>
</tr>
<tr>
<td>Over $100,000</td>
<td>154</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>444</strong></td>
</tr>
</tbody>
</table>
Money Matter #2

Municipalities collect just 9 cents of every tax dollar directly.
Money Matter #3

For municipal governments, stable and predictable funding matters.
Municipal Operating Revenue (2017)

- Property Taxation: 42%
- Grants (Ontario and Canada): 20%
- User Fees: 20%
- Other: 14%
- Licences and Permits: 3%
- Fines: 1%
Increases to Municipal Infrastructure Spending during Provincial Uploading

Ontario Municipal Partnership Fund

Provincial Upload

Municipal Infrastructure Spending (Debt and Own Source). 2010 Peak represents matching municipal funds for federal and provincial stimulus programs.
Money Matter #4

Municipalities must follow the rules of the road; most spending is pre-determined by provincial legislation.
280 pieces of legislation
Legislation shapes spending

Municipal Operating Expenses

- 38% Legislated Obligations
- 46% Limited Council Control
- 16% Council Controlled
Examples of provincially legislated municipal spending

- The funding of Municipal Property Assessment Corporation (MPAC) operations
- Ontario Provincial Police (OPP) contracts
- District Social Service Administration Board (DSSAB) levies
- Land Ambulance
- Public Health Units
- Provincial Offences Act (POA) Court
Examples of limited council controlled spending

- Infrastructure Funding
- Airport
- Debt repayment
- Library
- Museum
## Examples of “Council Controlled” Spending

<table>
<thead>
<tr>
<th>Service</th>
<th>But Influenced By:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Snow Removal</td>
<td>Minimum Maintenance Standards Regulations</td>
</tr>
<tr>
<td>Fire</td>
<td>Fire Protection and Prevention Act</td>
</tr>
<tr>
<td>Building Inspections</td>
<td>Provincial timelines for issuing permits and inspection standards</td>
</tr>
<tr>
<td>Planning</td>
<td>Planning Act</td>
</tr>
<tr>
<td>Waste Management</td>
<td>Environmental Protection Act</td>
</tr>
</tbody>
</table>
Money Matter #5

Compared to the average Canadian, Ontarians pay some of the highest property taxes in the country.
Property Taxes: Ontario vs. Rest of Canada

Taxes on Property per Capita (2011-2017)
(Based on Annual Population Estimates)
In 2018, AMO estimated municipalities need an additional $4.9 billion per year for ten years to continue delivering today’s services and to close the infrastructure gap.
<table>
<thead>
<tr>
<th>Program or Service</th>
<th>Details</th>
<th>Amount (2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Ambulance</td>
<td>50:50 cost sharing (provincial, municipal)</td>
<td>$581 million</td>
</tr>
<tr>
<td>Public Health</td>
<td>75% provincial funding for mandatory local programs</td>
<td>$568 million</td>
</tr>
<tr>
<td>Public Transit</td>
<td>Provincial Gas tax funding</td>
<td>$334 million</td>
</tr>
<tr>
<td>Local Infrastructure</td>
<td>Ontario Community Infrastructure Fund (OCIF)</td>
<td>$230 million</td>
</tr>
<tr>
<td></td>
<td>$130 million in formula funding</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$100 million top-up application funding</td>
<td></td>
</tr>
<tr>
<td>Municipal Operating Support</td>
<td>Ontario Municipal Partnership Fund (OMPF) for equalization,</td>
<td>$510 million</td>
</tr>
<tr>
<td></td>
<td>northern and rural support</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td><strong>$2.2 billion</strong></td>
</tr>
<tr>
<td>Program/Service</td>
<td>Value to Municipalities (2018)</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------</td>
<td>---------------------------------</td>
<td></td>
</tr>
<tr>
<td>Ontario Drug Benefit</td>
<td>$273 million</td>
<td></td>
</tr>
<tr>
<td>Ontario Disability Support Program (Administration)</td>
<td>$85 million</td>
<td></td>
</tr>
<tr>
<td>Ontario Disability Support Program (Benefits)</td>
<td>$927 million</td>
<td></td>
</tr>
<tr>
<td>Ontario Works (Administration additional support)</td>
<td>$216 million</td>
<td></td>
</tr>
<tr>
<td>Ontario Works (Benefits)</td>
<td>$485 million</td>
<td></td>
</tr>
<tr>
<td>Court Security and Prisoner Transportation</td>
<td>$125 million</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$2.1 billion</strong></td>
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Budget and Related Fiscal Developments
Developments

- **Ontario Municipal Partnership Fund**: $5 million cut, mostly stable at $505 million for 2019.

- **Modernization Grant**: One-time $200 million grant for rural and northern municipalities.

- Protection for **double hatters**.

- Fire service related **interest arbitration reforms** (results dependent on negotiations).

- **Resource revenue sharing discussion**: for Northern communities (mining, forestry, aggregates).
Developments cont.

- **OPP Costs:** the provincial budget identified the desire to find $30 million in OPP savings through, changes related to, “workforce optimization, including vacancy management, overtime and scheduling”. (Subject to successful negotiation with the OPPA)

- **Broadband and Cellular Strategy:** $315 million over five years and shovel ready projects in 2019.

- **Ring of Fire:** the government will consult on a repeal of the *Far North Act* and remove red tape. Environmental assessment studies have been initiated.
Developments cont.

- **OCIF**: $100 million Top-Up (application portion) eliminated for eligible municipalities (under 5 k pop) in 2018 and 2019. Road and bridge projects submitted in 2018 will be fast tracked under Rural and Northern. Water related projects have no funding and it is unclear if they may be invited for priority consideration under ICIP.
- **OFIC** formula funding from $130-$170 million as committed last year.
- **Conservation Authorities**: $3.7 million in-year hit.
- **Policing Grants**: changing grant criteria and new OPP eligibility will dilute the current local distribution of these funds across Ontario.
Developments cont.

- **Provincial Gas Tax (for Transit):** Commitment to phase in a doubling of funding will not be met. In 2019, $364 million is provided to 107 municipal governments. The government will consult with municipalities to review distribution formula.

- AMO is advocating for committed expansion in Gas Tax and OCIF as the government’s fiscal situation improves.
Child Care

(All Municipalities Except Toronto)

5.6% Growth Rate

Data extracted from municipal FIRs. Projections assume geometric growth.
Public Health

0.9% Growth Rate

(All Municipalities Except Toronto)

Expenditures (Millions)

Data extracted from municipal FIRs. Projections assume geometric growth.
Ambulance Service

5.4% Growth Rate

(All Municipalities Except Toronto)

Data extracted from municipal FIRs. Projections assume geometric growth.
Assistance to Aged Persons

2.4% Growth Rate

(All Municipalities Except Toronto)

Data extracted from municipal FIRs. Projections assume geometric growth.
**Housing**

**Growth Rates:**
- Public: 3.8%
- Non-Profit/Co-op: -1.5%
- Rent Supplement: 6.8%
- Other: -5.1%

(All Municipalities Except Toronto)

Data extracted from municipal FIRs. Projections assume geometric growth.
Data extracted from municipal FIRs. Includes all municipalities except Toronto. Projections assume geometric growth.
Conclusion
Money Matters - Review

1. Every municipality and every local economy is different.

2. Municipalities collect just 9 cents of every tax dollar directly.

3. For municipal governments, stable and predictable funding matters. It delivers results.

4. Municipal fiscal flexibility is limited. Municipalities must follow the rules of the road; most spending is pre-determined by provincial legislation.

5. Compared to the average Canadian, Ontarians pay some of the highest property tax rates in the country.

6. In 2018, AMO estimated municipalities need an additional $4.9 billion per year for ten years to continue delivering today’s services and to close the infrastructure gap.
What is sustainability?

- A government’s ability to manage its finances so it can meet its spending commitments, both now and in the future.

- It ensures future generations of taxpayers do not face an unmanageable bill for government services provided to the current generation.
For every six in ten people, improving the state of roads and bridges is a high priority.