



Pre-Budget Submission

Submission to the Standing Committee on Finance and
Economic Affairs

January 19, 2016



2016 AMO Pre-Budget Submission

The Association of Municipalities of Ontario (AMO) presents its 2016 pre-budget submission. Municipal governments are mindful of current economic challenges. We live, eat, and breathe this reality every day. We offer a modest list of changes that would have proportionately greater outcomes for communities – some with little or no cost to the Ontario government.

1. The Upload

The ongoing upload that began in 2008 of some previously downloaded provincial programs, must continue to full maturity in 2018. Why? Because the funds that are no longer sent to the Province are being invested in municipal infrastructure and services.

From 2003-2008, before the upload, infrastructure spending averaged almost \$4 billion annually. From 2008-2012 it averaged above \$6 billion annually with \$8 billion in 2010, the stimulus year. For 2013, municipal investments exceeded \$7 billion annually.

Both orders of government have been upholding their sides of the Agreement and there should be no cause for change.

It has been suggested that municipal governments have done much better than other sectors, such as health and education. Let me remind all that municipal governments were saddled with over \$3 billion in provincial costs to fund, a gift that others did not receive, so our starting point was very much behind others.

We urge the continued honouring of this landmark agreement to 2018 and, again, caution against the assumption that the upload offers space for new spending to pay for provincial statutory changes across government. Every dollar to support a new regulation will detract from the needed infrastructure investment and related economic spin offs.

2. The Ontario Municipal Partnership Fund (OMPF)

While the upload Agreement continues to be valued, not all municipal governments have the same economic basis. Many only have a very limited assessment base and no non-residential assessment, plus residents with low disposable household incomes. They have seen the Ontario Municipal Partnership Fund (OMPF) reduced by \$91 million from 2012 to 2016, forcing many rural and northern communities to raise property taxes or reduce services.

For almost half of Ontario's municipal governments, a 1% property tax increase raises just \$50,000. These governments fully understand the constraints their citizens have to absorb with property tax increases. OMPF is essential – it is their major source of revenue.

The upload Agreement included funding commitments for the OMPF to 2016. The going forward envelope has yet to be established. We urge an increase to the OMPF of at least \$11 million in 2017 to reflect inflationary adjustment and stronger recognition of those where there is no or little population growth. In particular, these dollars should be directed to municipalities with the most pressing fiscal circumstances and particularly those communities with high percentages of farmland and managed forests which are taxed at a heavily discounted rate as well as large areas with Crown Land which is non-taxable land and cannot contribute to the assessment base.

This change would bring the OMPF to \$516 million, just slightly more than was allocated in 2015. They don't make calculators with enough zeros to say how small a portion of Ontario's total revenues this \$11 million represents. It is desperately needed to meet pressing economic realities in small communities.

3. Interest Arbitration

Emergency service costs broadly have been increasing at three times the rate of inflation annually since 2002. For example, annual policing costs are likely to exceed \$5 billion this year – which is two and half times the value of the upload. Fire service is similarly growing. Salaries are a major driver to these cost increases.

EMS salary bands already reflect the risk of their work, so the public are struggling to understand why the cost of living adjustments are higher for this group of employees than others.

New research has revealed that had police and fire personnel received the same economic adjustment as other municipal employees from 2010 to 2014, the cumulative savings would have been \$485 million. This includes \$72 million in fire service savings and \$111.6 million in police service savings for 2014 alone. These extraordinary sums of money are the true cost of the failure to address interest arbitration reform. Will 2016 be the year we finally get to a better place – where salary adjustments have a better association to capacity to pay and how other employee groups are treated?

4. Infrastructure and Social Housing

Municipal governments own 67% of the infrastructure in this province. As noted previously, we are making some inroads but we have a long way to go. For example, it is estimated that the capital repair backlog for the social housing sector stands at \$1.5 billion. The deferred maintenance for roads and bridges, water, wastewater, stormwater, transit, conservation authorities, and solid waste is \$5.9 billion in 2006 dollars¹. Then there are the new capital needs such as transit, social housing and roads.

¹ PMFSDR Report 2008, page 43.

Where we have to go involves more investment in deferred maintenance for all assets so that the existing infrastructure can meet its life expectancy before it needs replacement. This is important to the smaller and larger municipal governments. While large strategic projects can invigorate the economy, so can small projects help local economies across all Ontario.

Program design that treats **all** municipal governments (and service delivery managers²) fairly and equitably is how we will advance progress. No community should be left behind. Every municipal government should have a better sense of what it can count on so that it can do the best possible infrastructure finance planning.

Can we figure out how to achieve this? Yes – the time is now for a made-in-Ontario tri-lateral approach that fits our needs, our circumstances. We need to be at the table, together.

5. Toronto Tax Tools

The *Toronto Act* deliberately gave the City the authority to use or not the authority. AMO and many others requested that the same permissive authority be transferred to all. Toronto and its citizens looked at different approaches and figured out what worked for its circumstances. Why do you think other cities should not have the same ability? Are they any less capable of doing the research and analysis? AMO supported the transfer of authority, acknowledging that for Ontario's other 443 municipal governments it may not be used or achieve fiscal sustainability, but they should be able to decide. We restate the request that all municipal governments should have the discretionary authority.

6. Joint and Several Liability Reform

Municipal governments are increasingly the targets of litigation when other defendants do not have the means to pay high damage awards. This exposure has contributed to higher risks which, in turn, drive up insurance costs and settlements.

The legislature passed a resolution with all-party support to seek solutions. We had arrived at several options that provided some limitation when others cannot pay their court determined share. We need to get back to work on these.

7. Photo Radar

Municipalities should be given permissive regulatory authority to use photo radar. Such an authority would be consistent with existing enforcement responsibilities and could provide

² Housing is provided by designated service managers

an alternate means for police services to uphold speed limits on Ontario roads while redirecting the efforts of police officers to other public safety priorities.

8. Prudent Investor Status

We are asking that municipalities be allowed to invest in a broader range of investments using ‘prudent investor’ principles, via the One Investment Program in our roles as the municipality’s agent. Conservative estimates of this long-held municipal request are that it could yield an addition \$10-20 million for the municipal sector. Stretching the municipal tax dollar makes so much sense and at no expense to the Province. We are also asking that the eligible list of investors recognized in the *Municipal Act* regulation be expanded to include municipal associations such as LAS, AMO, MFOA, AMCTO, and also indigenous groups such as the First Nations.

9. Heads and Beds

Heads and beds is the levy that the Province pays instead of property taxes on such facilities as colleges, universities, hospitals, and correctional facilities. Instead they pay a levy to the local municipalities known as “heads and beds”. This levy (\$75 per head/bed) has remained unchanged for 29 years. If it had kept up with inflation it would be \$138 today.

Municipalities that host such facilities bear the burden of added wear and tear on local infrastructure, increased demand for public transit, policing, and EMS services to name a few. AMO calls on the provincial government to begin to adjust the fee in accordance with inflation after nearly three decades at the same fixed rate.

10. Power Dams

110 municipal governments host power dams and have had provincial revenue to offset the tax exemption on the dams. In its 2014 Budget, the Province proposed cutting these payments by \$4.4 million over four years. It has deferred this cut as it looks at options to restore municipal taxation. Given the related challenges, we request the government to fully abandon plans for any future claw backs and to restore inflationary indexing. Municipal governments should not have this held over their heads.

11. Simplify Municipal Reporting Requirements to the Province

In 2012 The Drummond Commission looked at the amount of reporting to the Province and wrote, “ the information reported is often not used at the other end to influence changes in policy or service delivery”. Drummond went on, “we believe there are simply too many layers of watchers at the expense of the people who actually get thing done. The government must find a new middle ground”.

One municipality reviewed its reporting and sends 270 reports annually, plus an additional 16 audited statements, plus the annual Municipal Financial Information Return. That's more than one for every single workday in the year.

AMO has highlighted this issue for the last three years. AMO wants to find the middle ground – between investing in frontline work while being accountable in the most efficient manner.

Conclusion

In Ontario, we collect approximately \$19 billion in own source property taxes. An additional \$7 billion a year is sent to the Province for education via property taxes. Some \$4 billion of municipal property taxes are spend funding the mandatory municipal cost sharing of provincial health and social services programs such as public health, land ambulance, long-term care for seniors, and social assistance administrative costs.

Property tax dollars in Ontario deliver more services than in any other Canadian province. They are also the highest - a factor when industry and commerce scout locations for future development.

Our ask is simple – let's solve these outstanding issues and prepare for the future.