



# Supporting Communities: Driving Recovery in the Wake of COVID-19

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Policy Memo to the Prime Minister's Office and the Privy Council Office

September 16, 2020

## About AMO

The [Association of Municipalities of Ontario \(AMO\)](#) works to make municipal governments stronger and more effective. AMO helps Ontario's 444 municipalities work together to achieve shared goals and meet common challenges. Through policy development, cost-saving programs, conferences, and training, AMO provides municipal officials with the tools to succeed, and programs that maximize taxpayer dollars.

AMO's mandate is to support and enhance strong and effective municipal government in Ontario by promoting the value of the municipal order of government as a vital and essential component of Ontario and Canada's political system.

## Introduction

The COVID-19 pandemic is testing Canadians and our governments. The unprecedented impacts from this economic and public health crisis are expected to continue for the foreseeable future. As the Federal government examines its priorities ahead of the upcoming Throne Speech, AMO believes there are pressing recovery challenges to address over the near and longer-term.

Municipal governments have kept communities running by providing critical services and relief to residents and businesses during the pandemic. Despite this, vulnerabilities have been exposed and exacerbated within communities threatening the economic and social security of residents.

To address these growing challenges, Canadians expect a strong intergovernmental response. The federal, provincial, and local governments are now working closer than ever to provide economic security, thoughtful policy, and exploring strategic investments that benefit all Canadians.

In navigating the COVID-19 environment, AMO recognizes that Ontario's municipal governments can drive aspects of economic recovery and ongoing safety to ensure a path toward greater national prosperity. To that end, AMO is outlining policy priorities that align with the Federation of Canadian Municipalities (FCM). These priorities can lead to a fair, safe and inclusive recovery for all Canadians.

Ontario's municipal governments are significant economic contributors within the national landscape. Ontario municipalities make investments of \$51 billion annually toward public services and infrastructure. This accounts for one third of the total revenues for the Government of Ontario.

## Shared Priorities

AMO outlines shared priorities with FCM with an Ontario perspective.

Earlier this year, AMO supported FCM in seeking emergency fiscal relief for municipalities which was provided through federal and provincial contributions to the Safe Restart Agreement. The direct financial support from senior orders of government is greatly appreciated by AMO and its municipal members. This unprecedented action helps all Ontario municipalities recover lost revenues, improve cash flow, and allow for more assistance to residents. Most importantly, it provides the breathing room necessary for communities to make investments and work toward our collective economic recovery.

The policy advice provided in this document offers immediate priority and guidance while looking toward longer-term strategies for recovery. AMO applauds the ongoing efforts to ensure public health is prioritized while exploring creative ways to mitigate the current economic impacts. Over the longer term, a series of post-pandemic challenges (i.e. housing, employment, stretched support programs etc.) will emerge requiring local governments to be in position to protect our vulnerable communities while exploring how to maximize economic potential.

AMO believes in prioritizing federal investment and partnership for the following policy areas:

- Providing support to maintain the fiscal health of municipalities during the pandemic.
- Accelerating broadband investment to address inequities around this now essential service for Canadians.
- Investments in housing will garner wide ranging economic, social, and safety benefits to Canadians during and post-pandemic.
- Build on investments in child care to achieve equitable labour market participation for all (notably women).
- Provide additional supports for long-term care to protect seniors today and into the future.
- Strategic investments in infrastructure to be an economic stabilizer and to achieve longer-term economic productivity. This includes proceeding with providing cross-jurisdictional flood mapping to ensure infrastructure decisions are made wisely.

There are no shortage of priorities and the overall economic context is important. A “slow growth” economy is predicted to be our new reality. Recently, the Economist magazine refers to the economy that is likely to emerge from COVID-19 as the *90 per cent economy*, not quite the same in strength or character to what preceded it.

The above priorities account for this new “slow growth” economy by pursuing intersecting economic and social policy. The intersection between the above priorities target the overall health and potential of communities which is a bedrock for how Canadians live, work, and build lives for their families.

## Fiscal Support for Local Government

Support for municipalities will help drive Canada's economic recovery.

The Canadian economy has been hit hard by the pandemic. Jobs and wealth creation have been reduced and the economic security of millions threatened. The federal response included unprecedented levels of direct financial support to Canadians while provincial efforts successfully led to a decline in infection rates. This success allowed provinces to pursue a phased re-opening process to help boost economic activity.

By May of this year a staggering 13.6 per cent of workers were unemployed and jobs declined by over 14 per cent. It has been nearly 40 years – the 1981-82 recession – since unemployment reached these levels. By August, the unemployment rate dropped to 10.6% primarily due to growth in full-time employment leading to a sense of optimism.

However, most economists warned that returns to pre-COVID-19 levels remained distant.

Source: Labour Force Survey, August 2020. Statistics Canada

With a second wave looming, municipal governments are now preparing their “pandemic budgets” for 2021. Many communities may require additional financial relief as they prepare for potential financial scenarios to unfold. Early signs point to many municipalities expecting financial hardship and an ongoing decline in revenues.

As employers, municipalities account for a workforce of over 600,000 nationally. This largest grouping of the public sector workforce has been deeply impacted by COVID-19 through lay-offs or redeployment toward key services.

Source: CANSIM table 183-0002. Statistics Canada

Providing a second wave of financial support for municipalities may become necessary in 2021. Should municipal governments run into the same fiscal challenges brought on by the pandemic, it will be critical to ensure they have the resources to provide front line services for their residents and community. The Safe Restart Agreement targeted a period of 6-8 months of relief and it is likely in the absence of a vaccine or remedy to COVID-19 that additional financial relief will be needed for municipalities.

## Broadband Connectivity

Bridge the digital divide and accelerate investments to improve broadband connectivity.

Broadband connectivity remains essential for economic competitiveness and quality of life. The pandemic and recent lockdown has magnified the inequities that exist around broadband connectivity for those living in many rural, remote, and even near-urban communities.

For many, broadband is a lifeline. It enables access to food, medicine and medical services, family, schooling, and their places of work. Yet, for Ontarians it is estimated that 12 per cent or 1.7 million people, live in unserved and underserved communities (Ontario Ministry of Infrastructure, 2020). This inequity has only been exacerbated during the pandemic.

Ontario outpaced other provinces with the highest share of employers who had at least 50% of their workforce teleworking or working remotely (Ontario Economic Accounts, 2020) during the early months of the pandemic.

Municipal governments are encouraged that Ontario and Canada’s governments recognize the importance of connecting residents and businesses through broadband connectivity. However, this pandemic has demonstrated the need to accelerate broadband investment federally through the Universal Broadband Fund. There is an economic, social, and environmental need for broadband in communities that are particularly underserved or unserved.

Both Ontario and Canada have set ambitious goals to connect people and improve this now essential service. AMO believes these efforts should be accelerated to begin improving access to underserved areas. Bringing underserved communities to the 50/10 MB standard will prove to be an important policy outcome from this pandemic for it will provide a tangible improvement for many Canadians.

During the height of the pandemic, the Town of Caledon (located in Peel Region) invested in extending their own Wi-Fi connectivity to provide expanded connectivity outside of Town facilities so that residents could access their jobs, families, and services.

Improved connectivity fosters more remote work opportunities outside of urban areas that can alleviate housing affordability issues, facilitate greater economic development, and attract newcomers to a broader suite of communities. Working remotely or from home also alleviates the strain on public infrastructure and contributes to reductions in GHG emissions.

In a World Bank study, the authors concluded that high-income countries would enjoy a 1.21 per cent increase in per capita GDP growth per 10 per cent increase in broadband penetration.

In a slow growth world and economy, this is a significant growth bonus.

Source: Extending Reach and Increasing Impact, Chapter 3: Economic Impacts of Broadband, GICT Dept., World Bank. (2009).

## National Housing Strategy

Adequate housing creates economic, employment and virus control protection.

Social infrastructure develops human capital. The need for more affordable housing is clear, and the current pandemic has shown in even starker relief why housing provision to inadequately housed people is in the public interest. Acting now to resolve this will help make managing the spread of future diseases easier.

Homelessness and housing precarity may be expected to rise as a result of COVID-19 and the impact on the economy. Even before the onset of the emergency situation, it is known that nearly 750,000 households were in core housing need and over 185,000 on waiting lists for subsidized housing. This is just in Ontario alone.

Source: [Ontario Non-Profit Housing Association, 2020](#)

Investing in housing has economic benefits, both from construction jobs and its multiplier effects. This aids economic recovery. It also helps to secure a critical social safety net for people with low to moderate incomes or people requiring special supports, such as help with mental health and addictions. There are many projects that could be expedited, or capital repairs quickly undertaken.

The National Housing Strategy (NHS) framework provides a ready mechanism to move investments forward expeditiously. Funding under the NHS programs could be accelerated. They could also be enhanced along the lines of the proposal from the Federation of Canadian Municipalities (FCM). The goal is two-fold. First, to rapidly re-house vulnerable individuals especially those most affected by COVID-19. Secondly, to acquire and protect modest-rent market housing.

Source: [Federation of Canadian Municipalities, 2020](#)

## Child Care

Adequate child care funding is central to economic recovery and inclusion for parents and women.

No one wants to see child care centres closed permanently as a result of the current situation. Sustaining existing child care capacity is critical to facilitate continued labour market participation of parents in the workplace, especially women. Maintaining employment in the sector will also contribute to recovery.

For every five children in child care, it is estimated to generate one full-time employee equivalent, typically women in these sector professions. This includes Early Childhood Educators, cooks and cleaners. (Source: [Association of Municipalities of Ontario, 2020](#))

Investing in childcare is a massive job creator – A \$1 million investment in childcare creates 40 jobs. Each dollar invested in childcare has the potential to increase Canada's GDP by \$2.30.

Source: Bezanson, Bevan, Lysack & Hammer, 2020

Investments in child care make good economic and social sense. In addition to facilitating participation in the labour force, it plays a role to help reduce poverty and is essential for early childhood development which leads to improved educational outcomes resulting in a stronger labour force in the future.

Funding from both the provincial and federal government in Ontario is doing its part to stabilize and sustain the sector in 2020. A combined provincial-federal investment of \$234.6 million through the Safe Restart Agreement is helping child care centres re-open and operate safely. An additional investment through the one-year Canada-Ontario Early Learning and Child Care Agreement (ELCC) of nearly \$147 million to Ontario for 2020-21 was also made available in September 2020. These investments are appreciated and need to continue into 2021 to keep child care and early learning centres running and safe for Ontario's children and families.

Beyond the immediate recovery response, there is room and need for the licensed child care sector to grow into the future for Ontario. It is essential that the federal government continue supporting child care and early learning across Canada by committing to further funding through successive bilateral agreements with the Province of Ontario. A more robust and enhanced federal role nationally could help further reduce poverty and enhance economic competitiveness in Ontario, and across the nation.

## Long-Term Care

More supports for long-term care will keep our seniors safe and provide improved quality care

The devastating toll of the COVID-19 pandemic has had a disproportionate impact on residents in long-term care (LTC), affecting families and communities in profound and tragic ways. Approximately 80% of deaths due to COVID-19 in Canada have been of those residing within long-term care settings.

However, the situation is improving, and this progress needs to be maintained and reinforced in the wake of a likely second wave. More support for long-term care homes through collaboration between the federal and provincial governments will help protect vulnerable seniors now, prepare for the future, and ensure the tragic experience of COVID-19 is not repeated.

## Strategic Infrastructure Investment

Infrastructure can serve as an economic stabilizer while building productivity long-term for the private sector.

The relief funding from the Safe Restart Agreement flowing to municipalities in Ontario has provided a sense of optimism. As a result, communities are beginning to target strategic infrastructure spending as an economic stabilizer. These investments provide an immediate stimulus and helps with improving GDP growth, job creation and growing tax revenues for all orders of government. These investments can deliver multiplier benefits and further aid recovery efforts.

In 2015, a paper from the Broadbent Institute, the Institute for Spatial Economics estimated that every dollar of public sector investment in infrastructure in Canada increased GDP by \$1.43 in the short term, created 9.4 short-term jobs for every million dollars spent, and returned \$0.44 in taxes. In the long term, that same investment increased GDP by \$2.46 - \$3.83 for each dollar spent.

AMO suggests there are areas of capital investment in municipal services which could improve the efficiency of services and contribute to an environmentally sustainable recovery. They include accelerating infrastructure investments under current programs such as the investing In Canada Infrastructure Plan (ICIP), additional increases to the Federal Gas Tax Fund as called for by the FCM; and long-term funding to expand transit considering physical distancing requirements.

As the recovery gathers strength and the economy begins to return to a more normal state, the governments of Canada, Ontario and municipalities will all need to provide stable and predictable long-term investment in infrastructure. Reducing capital spending may be attractive to managing budget deficits in the short-term, but as experience in the 1990s have shown, these reductions come at a cost to long-term economic growth as well as environmental and social priorities that are more expensive and difficult to make up later.

## Flooding

Addressing cross jurisdictional flood management is needed across the country to identify areas to avoid.

Ontario has and continues to be faced with a significant problem around flooding in various communities. AMO is encouraging the federal government move forward with the creation of the National Standards of Canada (NSCs) based on the Federal Flood Mapping Guidelines Series. This should address cross jurisdictional flood management and provide actual high-quality flood prone area mapping that is needed across the country to identify areas to be avoided.

In the past, AMO has called for funding to improve and expand flood protection and storm water management infrastructure. A changing climate is shifting the parameters for storm water management infrastructure, necessitating additional capacity. This is costly to communities and intensifies the need for investments that are already challenging municipal governments. Better storm water management infrastructure has a direct benefit to our lakes and rivers, to flora and fauna and, if green infrastructure is integrated, to wetlands and resident's quality of life.

The ICIP Green Fund is a helpful start and these investments should be accelerated. However, more will be needed to truly increase the protection to our communities and our environment.