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April 27, 2020

The Honourable Bill Morneau
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario
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The Honourable Rod Phillips
Ontario Minister of Finance
Frost Building South, 7th Floor,
7 Queen's Park Cres
Toronto, Ontario
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Re: Municipal Government Services and Ontario and Canada's Economic Recovery

Dear Minister Morneau and Minister Phillips:

The current COVID-19 pandemic has offered Canada and the world an unprecedented challenge. In managing this emergency, the Association of Municipalities of Ontario (AMO) commends the Prime Minister, Premier and all ministers and officials for their leadership and dedication to the health, safety and well-being of the people of Ontario. However, the steps we have collectively taken to limit the spread of the virus and manage the disease have taken a steep toll on our economies, businesses, workers and communities that is likely to continue for the foreseeable future without urgent and dedicated attention. Municipal governments are also impacted.

As your partners providing services on the front lines, municipal governments have welcomed the supports Ontario and Canada have put in place to date. AMO also appreciates that attention is turning to efforts to guide the economic and social recovery of our society as the rate of infection slows and we return to a more normal footing. Collectively our citizens will turn to their national, provincial and local governments for the leadership and investments needed to safely return to regular life and chart our path to lasting prosperity.

Municipal Fiscal Stabilization:

Stabilizing local governments must be a priority. The pandemic has had a major impact on the finances of municipal governments across Ontario and Canada. AMO strongly supports the requests of the Federation of Canadian Municipalities and the Canadian Urban Transit Association for stabilization funding that will help municipal governments recover from these impacts and prepare them for the long-term recovery. We appreciate greatly Premier Ford's support for these requests.

In addition, AMO believes that it may be necessary for the Ontario government to create a short-term grant which helps to keep municipalities whole during the pandemic and beyond.

Municipalities have continued transit services, often foregoing fares, to keep frontline workers and others able to work and access services during the emergency. The costs of delivering key human services have continued to mount. Many have deferred property taxes and other fees with impacts to their solvency, and increased needs for personal protective equipment and cleaning costs have challenged municipal operations. Property tax deferrals are an important support to the population while the economy contracts and unemployment increases. They cannot be a long-term solution. While there are proposals to permit municipal operating deficits, these proposals only delay costs and create structural financial pressures.

A partnership among all three orders of government working together to stabilize and put our economy on the path to recovery is required.

Economic Recovery:

Turning to recovery and efforts to return our economy to growth, AMO believes that stimulus measures to accelerate and enhance both provincial and federal infrastructure programs would help to get our economy moving again. Capital investments will get people and businesses to work, creating jobs in the short term and creating multiplier effects through local firms and communities. They will also make it more efficient for businesses and people to create and access goods and services in the long term, benefiting overall prosperity and competitiveness.

Investments in public infrastructure stimulate economic progress. In 2015, in a paper for 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.

The timing of infrastructure investments is also key. While steady long-term investment in infrastructure is important to ensure that it contributes to gains in long term productivity, investments in infrastructure during times of reduced economic output have an even greater impact on economic advancement. One International Monetary Fund (IMF) study suggested that increasing infrastructure spending by 1 per cent of GDP through deficit spending can increase GDP 0.9 per cent in the first year and up to 2.9 per cent by year four in economic downturns.

The case for public infrastructure investment for economic benefit is clear but there are other policy benefits as well. Sound investments in social, cultural and environmental infrastructure can increase equity, well being and quality of life as well as improve the natural environment, all with ultimate benefits for prosperity.

Municipal governments offer services in all of these areas in which investments can increase our collective economic, environmental and social bottom lines.

With this in mind, we recommend the following proposals to help restart the economy and put Ontario on track for long term growth and prosperity:

Accelerate Existing Infrastructure Funding:

The Investing in Canada Plan (ICIP) partnership funding offers Ontario and municipal governments significant and appreciated resources to invest in needed service improvements. As a first step, AMO believes the governments of Canada and Ontario should accelerate the funding allocations under the various streams of the ICIP. This would include expediting project approvals as well as changing the transfer of funding from the completion of projects to the start of projects to allow municipalities to manage cash flow better and faster. This would effectively re-profile ICIP funding into stimulus.

However, in re-profiling this funding, the need for long term infrastructure funding and certainty in its allocation cannot be forgotten.

This long-term funding should include transit service expansion, which, while challenged by the current pandemic and lockdown, will need to be increased and improved for long term prosperity, social and environmental needs. Stabilizing public transit and adapting it safely to our needs post-pandemic will be critical to meeting our goals.

Ontario's Gas Tax for Transit Fund, given its flexibility and stability, is an important source for capital and operating funds for transit. The province should consider how to address diminished revenue collected for the fund anticipated in 2020 – such as discounting the year altogether in favour of a multi-year average - as maintaining the envelope is likely to be critical to helping transit services recover.

Federal Gas Tax:

In the previous year's federal Budget, the Government of Canada doubled the investment in the federal Gas Tax Fund in that year. The federal Gas Tax Fund is a major stable source of flexible infrastructure funding offering permanent, formula-allocated funding to local infrastructure that is bankable and leverages significant local investment from municipalities because it is matched to municipal government priorities.

In Ontario, in 2019 the increased allocation provided \$1.64 billion to municipal governments for priority projects. Additional increases in funding have the ability to be quickly contributed to municipal local priorities in priority areas, flexibly across Ontario. As a result, the federal Gas Tax Fund remains a preferred and reliable choice to quickly move funding for infrastructure from the federal government to municipal governments in Ontario.

However, much can also be achieved on our shared infrastructure priorities through targeted funding to important services and areas. The remainder of this letter focuses on the potential for us to make real progress for our communities economically, socially and environmentally through investments in local services.

Connectivity:

Access to internet and cellular technologies has never been more important, and the current pandemic has laid bare disparities Ontario communities are faced with as people do as they are asked and isolate at home. Connectivity in this time is a lifeline. It is access to food, medicine and medical services, family, school and work. Yet, the Ontario Ministry of Infrastructure estimates that 12 per cent of Ontarians, 1.7 million people, live in unserved and underserved communities. Both Ontario and Canada have ambitious goals to connect these people and improve this now essential service. This funding is set to launch this year and it should be accelerated to improve services to these areas to bring them to the 50/10 MB standard, a helpful improvement.

While these programs will help to narrow the gaps in connectivity rural and remote communities are experiencing now, the auctioning of new spectrum frequencies later this year, and the introduction of new next generation technologies, could exacerbate these disparities if not properly managed. The federal government's proposals to ensure competitiveness and set aside spectrum for regional and smaller carriers should help. Ideally this will ensure that small local carriers have the opportunity to invest in spectrum in underserved rural areas, including those close to urban agglomerations. That said, it may be necessary for the Government of Canada to also consider rules that require providers to forfeit the license if actual connections to under and unserved residents are not made within a specified period at specified speeds, as many rural communities are concerned that projects do not always result in the outcomes proposed.

Additionally, Ontario should explore ways to ensure access to Hydro One to hydro pole infrastructure to expedite installation of necessary wireless technologies in rural areas. Local municipal electricity distribution corporations in Ontario will be able to work with their shareholders where connectivity issues exist to ensure hydro poles are available to service providers per local priorities.

To ensure these services are implemented, and communities are able to take advantage in new and improved technologies, AMO encourages the Governments of Canada and Ontario to continue to work with municipalities, and service providers, to help all Ontarians take advantage of the new technologies and applications this new spectrum will bring. Additional stimulus funding to incentivize partnerships and investments in wireless, fixed and satellite connection expansion also should be considered as a sound economic, social and environmental investment in our future prosperity.

Housing:

Infrastructure includes social infrastructure that 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.

In 2018, the Ontario Non-Profit Housing Corporation and the Canadian Co-operative Housing Federation – Ontario Region produced a proposal to all orders of government in a document called [An Affordable Housing Plan for Ontario](#). According to these provincial housing associations, construction of at least 16,600 rental homes each year is required to address population growth and the backlog of those in need of affordable housing. This would amount to building up to 69,000 rental homes over ten years. In addition, up to 30,000 new supportive housing units are required for vulnerable, low-income people including seniors and those with mental health and addictions challenges. Much of the existing municipally funded community housing stock is also in need of capital repair given the age of the buildings.

Building and repairing these rental homes is projected to contribute \$2.6 billion annually in construction multipliers and inject \$1.1 billion in increased consumer spending. As well, it can save money to the health and justice systems, estimated at \$1.1 billion annually. Permanent housing is more cost effective than putting people in shelters, jails or psychiatric beds, and is essential to reducing chronic homelessness. An adequate supply of housing for a range of incomes, including the middle class, assists communities to attract and retain workers needed to grow local economies.

Investing in housing also helps to secure a critical social safety net for people with low to moderate incomes or requiring special supports, such as help with mental health and addictions. There are many construction ready projects that could be built quickly, or capital repairs quickly undertaken. The National Housing Strategy framework provides a ready mechanism to move investments forward expeditiously.

There are other options other than direct investments that are worth exploring. For example, [HPC Housing Investments Corporation \(HIC\)](#) is a new national lender dedicated to the affordable housing sector. It was co-founded by Housing Services Corporation (Ontario), BC Housing and Manitoba Housing with support from CMHC. HIC offers housing providers direct access to the capital markets and delivers low-cost, long-term mortgages to build affordable housing across Canada.

While HIC has a proven model for generating and maximizing funds for affordable housing projects, a provincial guarantee of HIC mortgages will make the offering more attractive to the capital markets and also drive down financing costs to Ontario providers. For example, HIC estimates that a provincial guarantee will result in interest savings of up to \$120 million for the Ontario sector for a \$500 million guaranteed program with 40-year mortgage terms. An Ontario guarantee will not

require any upfront funding from the Province and can be quickly and easily implemented for Ontario providers through HIC's established lending platform.

Child Care:

Child care will play an important part in the economic recovery if adequate funding is available. 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.

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. Investments in child care make good economic social sense in a number of ways. 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.

Flooding and Storm Water Management:

AMO has long called for funding to improve and expand flood protection and storm water management infrastructure.

A changing climate is changing 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. AMO suggests that Ontario and Canada provide additional funding to improve municipal storm water management and for flooding control infrastructure including green infrastructure and wetlands as part of the recovery efforts. Policy which prioritizes lot level water management through low impact development will help to manage future demand (LID) for expansion and provide benefits to water quality long term. Some municipal governments have implemented dedicated storm water charges, and many will have a need to consider them as they manage future needs.

Energy Conversions, Public and Private Buildings:

Upgrading and enhancing energy conservation and green energy such as solar, district energy, combined heat and power and others for public and even private buildings should be considered. For public buildings, green energy upgrades to municipal

offices, public housing and recreation centres would help to reduce our sector's greenhouse gas footprint and better manage future expansion of generating capacity needs. It would also make a meaningful contribution to Canada's Paris Agreement commitments.

Furthermore, municipal services such as organic waste management and wastewater treatment facilities offer the opportunity to capture heat and gas as major energy recovery projects. Doing so closes the loop on greenhouse gas production and more efficiently stewards renewable resources. If these sources were combined with agricultural waste in one facility, the potential for regional energy conversion could be realized. Funding for such projects under stimulus and long-term infrastructure plans should be included.

In addition, we urge the provincial and federal governments to consider the potential for supporting energy conservation and renewable energy for homeowners, commercial and institutional buildings. This should be done through a combination of incentives and other mechanisms. AMO believes that the support of your governments and the potential for Local Improvement Charges (LICs) that can finance these changes on property tax bills could be an effective way to support residents and businesses, create short-term jobs and improve our environment for the long term.

Your governments should also consider investments in charging capacity for electric vehicles. While municipalities will continue to invest in transit operations and active transportation initiatives, AMO believes that an expansion in Ontario's charging capacity for electric vehicles could help consumers to increasingly adopt such vehicles by reducing anxiety about ranges and providing an alternative to petrol.

Greater adoption will have immediate impacts on our GHG emissions and air quality as the current emergency has shown – the World Meteorological Organization recently reported that measures to manage the spread of COVID-19 will result in a 6 per cent decline in GHG emissions globally in 2020, the first decline since World War 2. Closer to home, analysis by scientists at the University of Toronto suggest that lockdowns in Canada's major cities such as Toronto, have reduced nitrous oxide and ultrafine particulate pollution by almost 50 per cent and other analyses suggest that the world's major cities may have seen reductions of up to 60 per cent in other particulates such as PM 2.5, with implications for human health.

As economic activity picks up and returns to some form of normalcy, switching our main transportation options to transit, active transportation and electric vehicles will help to ensure we can continue to enjoy better environmental health while increasing income and prosperity. Also, if accompanied by connectivity enhancement and expansion, the potential for green, autonomous vehicles grows with attendant benefits for transport on demand and built form.

Conclusion:

The prosperity Canada and other western nations and, indeed much of the world experienced in the wake of the Second World War was not a mistake or happy coincidence. It resulted from determined planning and dedicated short- and long-term investments in prosperity. The current health crisis, accompanied by the sharp drop in economic activity as we manage it has given us a stark choice: we can continue our current path with the substantial funds we have committed to date; or we can invest strategically, significantly and smartly in areas that affect our prosperity and quality of life broadly defined and reap the attendant benefits in the short and long term by changing our foundational rules.

AMO believes the project categories included will do just that. Quantified and delivered transparently, such investment will provide our residents, businesses and investors with clarity and certainty allowing stability to guide private sector growth as the recovery takes hold.

To be clear, AMO is not suggesting that the federal and provincial governments embark on this alone. Municipal governments will do their part as your local partners to invest in these services and aid the recovery as much as they are able now and in the long term. The pandemic has put the importance of governments in very clear relief.

The mechanisms for investment in the recovery are already in place or can be established quickly.

We welcome the opportunity to discuss these important matters with you soon.

Sincerely,



Jamie McGarvey
AMO President
Mayor of Parry Sound

cc: Bill Karsten, President, Federation of Canadian Municipalities
Rocco Rossi, President and CEO, Ontario Chamber of Commerce
The Right Honourable Justin Trudeau, Prime Minister of Canada
The Honourable Chrystia Freeland, Deputy Prime Minister of Canada
The Honourable Catherine McKenna, Minister of Infrastructure and Communities

The Honourable Ahmed Hussen, Minister of Families, Children and Social Development
The Honourable Jean-Yves Duclos, President, Treasury Board of Canada
The Honourable Jonathan Wilkinson, Minister of Environment and Climate Change
The Honourable Navdeep Bains, Minister of Innovation, Science and Industry
The Honourable Maryam Monsef, Minister for Women and Gender Equality and Rural Economic Development
The Honourable Mélanie Joly, Minister of Economic Development and Official Languages
The Honourable Doug Ford, Premier of Ontario
The Honourable Steve Clark, Ontario Minister of Municipal Affairs and Housing
The Honourable Vic Fedeli, Ontario Minister of Economic Development, Job Creation and Trade
The Honourable Peter Bethlenfalvy, President of the Ontario Treasury Board
The Honourable Caroline Mulroney, Ontario Minister of Transportation
The Honourable Christine Elliott, Ontario Deputy Premier and Minister of Health
The Honourable Ernie Hardeman, Ontario Minister of Agriculture, Food and Rural Affairs
The Honourable Greg Rickford, Ontario Minister of Energy, Northern Development and Mines and Minister of Indigenous Affairs
The Honourable John Yakabuski, Ontario Minister of Natural Resources and Forestry
The Honourable Laurie Scott, Ontario Minister of Infrastructure
The Honourable Lisa MacLeod, Ontario Minister of Heritage, Sport, Tourism and Culture Industries
The Honourable Lisa Thompson, Ontario Minister of Government and Consumer Services
The Honourable Monte McNaughton, Ontario Minister of Labour, Training and Skills Development
The Honourable Prabmeet Sarkaria, Ontario Associate Minister of Small Business and Red Tape Reduction