

THE FORK IN THE ROAD

AMO's 2014 Pre-Budget Submission to the Standing Committee on Finance and Economic Affairs

January, 2014

There are two ways to think about 2014 when it comes to Ontario's municipalities. In one direction is motivated thinking that seeks to resolve existing issues and lay the foundation for solving some of the bigger challenges we face together. In the other direction is the path of inertia - a thinking that kicks complicated issues down the field in the hope that time might somehow resolve them.

We are at the fork in the road. Inattention or wishing them away will not resolve any of the issues before us. This is not said lightly. However, it is of concern to think that many of the key issues raised in this 2014 Submission are the same one we spoke of in 2011 and have been talking about ever since.

Ontario's communities need Ontario's Legislative to be productive. We need legislative changes to address some obvious and long-standing problems. The issues will not go away and many will worsen the longer they are ignored.

Municipal governments bore a significant financial burden of downloaded costs for more than a decade. We gave the government another decade to accept responsibility for the social service and court security costs that they should have been shouldering all along. Municipalities have done our share of heavy lifting at the same time as managing our own responsibilities and obligations.

We know the provincial government is seized with economic issues. Municipal governments get this. We live, eat and breathe this reality every day in our communities. We see what happens when industries close, or reduce production, or cut shifts - but we also know that when people work together, things can change for the communities we call home.

Municipal governments are, by their nature, made up of people from across the political spectrum. They may not agree on everything, but they work together, make decisions and solve problems. The Ontario Legislature must do the same. Legislation can be passed to address our issues. The time for action is now.

There are nine key issues that we can work together on in the coming year. All nine are underscored by two overarching considerations about the municipal sector which are often overlooked.

Municipal Diversity

First, municipalities are not all the same. Rural communities are not identical. The same can be said of northern and urban communities also. There are many municipalities facing recent and sudden economic challenges and shuttered industries and we have growing municipalities with different challenges still. Meeting the needs of all communities and narrowing the fiscal gaps between them must remain a constant aim.

Not all have been dealt the same hand. Many municipalities have a very limited assessment base and residents with low disposable household incomes. Their capacity to absorb significant cost increases or grant reductions is severely limited.

Since November, headline after headline across rural and northern Ontario has raised concerns about ongoing reductions to the Ontario Municipal Partnership Fund (OMPF). This is coming at a terrible time for many Ontarians. We must make sure that municipal governments can manage these reductions. We're already seeing the result with property taxes increases or service reductions.

Many municipalities and Ontarians have also been seized with the challenge of paying for the Ontario Provincial Police (OPP) wage settlement in 2014, a proposal for OPP billing reform and rising emergency service costs more generally. The timing of the implementation of OPP billing reform affects different communities in different ways. While it's an opportunity to consider all sides of the issue, it means some municipalities that are already paying huge amounts for the service will see even more impacts in 2014 if no short-term mitigation is offered. But the number one consideration which unites all municipalities is how we start to reduce the annual cost growth in fire and policing, OPP or own-force. Growth in this sector is outpacing the rate of inflation and what municipalities can afford to pay. We must deal with the cost drivers.

The Infrastructure Gap

Our second theme is infrastructure. Municipalities own 67 percent of the infrastructure in this province. Maintaining these structures is on top of all the other services we have to provide while collecting just nine cents of every household tax dollar. While we need to have a much bigger discussion about how municipalities can achieve fiscal sustainability, it's safe to conclude that the municipal share should no longer be counted using the obsolete penny.

AMO is heartened by the discussions for a long-term means to pay for urban transportation infrastructure. Ontarians can no longer afford the start and stop of funding commitments of successive governments, federally or provincially. However, the range of tools being considered in urban Ontario, where the tax base is broader and the economy is stronger, cannot simply be transplanted to rural or small town Ontario, including the north. A successful solution to the infrastructure financing challenge is one that responds to this diversity.

To recap these two themes – 1) it is critical that we work together to find and implement solutions that reflect the fiscal diversity of municipalities; and 2) we must recognize the limitations of the existing fiscal framework to deal with the infrastructure deficit. These two themes are the backdrop for the following nine issues that we can work together to resolve right now:

- 1. Infrastructure** - Small, rural and northern municipalities expect a permanent, predictable infrastructure fund in the next provincial budget. Adequate, sustainable support for transit and other large infrastructure investments is needed. Let's discuss how this can become a reality that works for all of Ontario.

- 2. Police and Emergency Service Costs** – The Ontario Legislature must work together to restore balance to the interest arbitration system. Wage and benefit increases for emergency workers are growing faster than increases for other public sector employees in Ontario and faster than Canada’s rate of inflation. It’s unsustainable. Specifically, AMO continues to advocate for an improved, accountable and transparent arbitration system to ensure essential local services remain affordable.

Three-quarters of all Ontario municipalities pay and use the services of the OPP. OMPF reductions and OPP wage increases in 2014 have caused a \$50 million hit for property taxpayers in rural and northern communities. A proposed new model for OPP billing in 2015, while beneficial for some is entirely unfeasible for others. To date, the scale and scope of the issue has been significantly underestimated by the government.

A successful OPP billing change must involve municipal finance expertise, various ministries and validation of the OPP costs for its activity centres. It must also reflect the differing fiscal health of municipalities. More broadly, the vigorous pursuit of system-wide efficiencies and programs must begin in earnest. Policing cost growth has averaged 5.9% annually since 2002; while the inflation rate over that period was 1.5%. Who can argue this is sustainable? Who can say the policing model of the last 20 years is the only model for the next 20 years?

- 3. Municipal Liability** - At the 2013 AMO Conference, the Attorney General appeared willing to explore some version of proportionate liability in road cases where a plaintiff has some negligence. We look to the government and the Legislature to make this a priority. Municipal insurance costs continue to rise at an alarming rate. Some municipalities are limited to only one insurer. Now is the time for provincial action.
- 4. Waste Management Reform** - Pass Bill 91, the *Waste Reduction Act*. It reflects municipal perspectives on producers’ responsibility for their products and packages by creating incentives for industry to improve packaging and make it less costly to recycle. The Bill would offer relief to property taxpayers by providing more industry funding for waste diversion but it’s stalled in the legislature. Take action now so that we can cut the waste and eliminate wrap rage.
- 5. Improve the rule of law** - Pass Bill 34, the *Highway Traffic Statute Law Amendment Act*, to help municipalities collect unpaid fines. *Provincial Offences Act* reform will improve the administration of justice and the rule of law but it’s stalled in the legislature and has been since last April. Take action now to improve the rule of law. Why should some pay and not others?
- 6. Housing** - Total housing and homelessness prevention funding must be enhanced and further program consolidation is needed to produce more

cost-effective and efficient service delivery that allow municipalities to decide how best to deliver local services. We must remember that despite the upload, significant costs of many social programs still remain on the property tax base, costs that should not be there like social housing, child care, long term care and public health.

7. **Energy** - A renewed look at energy costs to bring them in line with surrounding jurisdictions is required. Long range planning, regional planning, community planning and municipal government conservation plans should assist in go forward needs for energy infrastructure. At the end of the day, energy costs are part of the economic fabric of the province and economic growth.
8. **Growth must pay for growth** - On Development Charges, artificial discounts for transit, etc. and exclusions (e.g. hospitals) need to end.
9. **Loss and Destruction** – Municipalities call on the provincial and federal government to collectively review the recovery programs for natural or man-made disasters to public property. We do look at lessons learned from response during events and preparing for events, but recovery needs better attention.

Conclusion

These are some of the key issues facing municipalities today. There are solutions and the Ontario Legislature must work together to put these solutions into action. Action or inaction will determine which challenges municipalities can or cannot meet.

We know that when people work together, things can change. Let's finish the job; let's make the communities we call home even stronger.