

SUBMISSION TO  
THE STANDING  
COMMITTEE ON  
FINANCE AND  
ECONOMIC AFFAIRS

Bill 144, *Budget Measures Act, 2015*

DECEMBER 2, 2015

## **Bill 144, *Budget Measures Act, 2015***

AMO would like to thank the Committee for considering these comments as you deliberate about the various merits of each clause of this omnibus Bill. The Association of Municipalities of Ontario (AMO) represents the collective voice of municipal governments from every corner of this province, large and small, those experiencing growth pressures and those experiencing no growth and even shrinkage pressures.

This Bill touches on twenty three different Acts and while it is largely a Bill to implement the budget's targets, there are four items which will impact municipal finances which AMO would like you to consider.

### **1. Capping: Schedule 15 – *Municipal Act***

The purpose of the proposed amendments to the *Municipal Act* are intended to phase out the capping of certain tax classes to mitigate some of the unintended consequences of current value assessment as it was introduced in the late 1990's. Simply, the phased-in capping regime means that those properties which would otherwise see a reduction would see less a reduction to offset the significant increases that other properties would have experienced without capping.

According to research prepared by Municipal Tax Equity Consultants, mandatory tax capping has created a long legacy of inequity within the commercial, industrial and multi-residential tax classes undermining the original goals of a stable, fair, transparent and easily administered property tax system in Ontario. Many have felt that the protection afforded those under the tax capping program are now less related to the original impacts of reform and more so due to the ongoing impacts of subsequent assessment base updates. While the number of "capped" properties has declined since the inception of the program in 1998, it appears that the impacts of subsequent assessment would prevent these properties from ever phasing out of the program.

The amendments proposed by Bill 144 would provide a framework for phasing out capping and exiting the program. Conditions established by the Ministry of Finance, in concert with these amendments, will create the needed tools to phase out capping. There are a variety of options that need to reflect different municipal circumstances in order for municipalities to adjust the capping program. This change has long been requested and provides the options municipal governments have been seeking and are welcomed by the municipal sector. AMO appreciates and supports these amendments.

### **2. Indexing Benefits: Schedule 23 – *Workplace Safety and Insurance Act***

The amendments to the *Workplace Safety and Insurance Act* provides for benefits to be indexed. It is unclear what impact this may have on employer contributions. Municipalities have a continuing concern about increased costs with no corresponding revenue stream. Changes such as these do add up with other changes, putting even more pressure on property taxes. At the very least, AMO

asks that this Committee gather information on the fiscal impacts to employers and work to mitigate negative impacts that may arise from these incremental increases.

### **3. Airport PIL: Schedule 1 Sections 1 and 2 - *Assessment Act***

Bill 144 would create the authority to include additional airports in the passenger-based payment-in-lieu of property tax program, which currently only applies to four federally-designated airport authorities. These airports make payments-in-lieu of taxes based on passenger counts and the rates in the regulation. Bill 144 would allow the Minister to prescribe other airports to be included in the program.

AMO understands that this approach was agreed to by Billy Bishop Airport and the City of Toronto. There are a number of municipally owned or shares in airports that need to be exempt from this approach. However, there may be some airports that would meet the criteria established by this amendment to participate in the PIL approach. We urge that this approach only be employed should another situation arise like that between Toronto and Billy Bishop.

### **4. Redirection of Electrical Utility PIL: Schedule 3 Section 5 – *Electricity Act***

This Schedule prepares for the end of the residual stranded debt. The public policy direction being proposed by the amendments in Section 5 are unclear. Section 5 (1) appears to exempt Hydro One and Ontario Power Generation from making payments to municipal governments in respect of land located in municipalities. Section 5 (2) repeals the payment of “payments in lieu of taxes” to municipal governments by municipal utilities.

Because tax or payments in lieu of tax (PIL) is part of the foundation of municipal government revenue, AMO must strongly object to the proposed amendments to the *Electricity Act* for Section 92 (3) and the repeal Section 92 (4), both of which would divert PILs from municipal governments. Further, there is a lack of clarity as to which body may be recipient of these PILs.

About fifteen years ago, these PILs were put into place as a means to pay for the residual stranded debt of Ontario Hydro. Along with each residence, commercial or industrial user, Local Distribution Companies had to participate in this repayment regime. At that time, legislation (Bill 140, 2000) was put in place to guarantee that this form of taxation of municipal electricity utilities would be turned over to the host municipalities when the debt was retired.

AMO is pleased that the time when this debt will be retired is nearing, likely completed by April 2018. But, we cannot accept that the Province would repeal the clauses that committed to pay these PILs to municipalities once the stranded residual debt is retired.

As a practical matter, some regions of Ontario have fragile economies and each and every dollar makes a difference. AMO has heard anecdotally that the total electricity PIL is approximately one million dollars. As this number annually fluctuates, this value is likely the floor. While a million dollars may seem small on a provincial scale, on a disaggregated basis, it is significant to each municipality. In most of Ontario, a 1% property tax increase raises less than \$50,000.

As a matter of principle, the Province, which has many more revenue tools at its disposal should not start impinging on this source of taxation. Municipal government relies on land based taxation or payments in lieu of taxes as the chief source of revenue.

In conclusion, AMO asks the Committee for two things:

1. Before voting on this legislation, please provide details regarding the impacts of the WSIB so that the effect of this policy change is clearly understood;
2. Delete from Bill 144, Schedule 3, *Electricity Act*, Subsection 5 (1) and (2).

Should the amendments in Bill 144 reduce revenues to municipal governments, it is important that an alternate source of funding be provided to them.