



AMO's 2018 Pre-Budget Submission: Local Share

Submission to the Standing Committee on Finance and Economic Affairs

December 12, 2017

The 2017 Pre-Budget Submission of the Association of Municipalities of Ontario (AMO) was a milestone submission. Its message focused on what a prosperous future for municipal governments might look like.

It followed two years of discussions and analysis among municipal leaders, led by municipal leaders. This two-year process called on local elected officials from across the province to consider in practical ways how municipal finances today align with what our communities will need for the tomorrows. It asked municipal leaders to imagine what a prosperous future might look like.

Our 2017 submission to the Standing Committee on Finance and Economic Affairs laid out the long-term financial needs of the entire municipal sector. It asked provincial legislators the same question municipal leaders had been discussing, "*What's Next Ontario?*"

The 2017 submission summarized the detailed findings of two lengthy reports which highlighted the fiscal challenges municipal governments will face in the next ten years. In August of this year, AMO President Lynn Dollin launched a municipal proposed action plan called – the Local Share.

The Local Share is a proposal to raise the HST by 1%, fully dedicated to help fund critical local services and infrastructure in communities across the province. It would fund roads, bridges, and transit among other people services. It could help reduce the constant upward pressure on property tax bills. It would diversify how we fund local communities.

One day after launching this detailed proposal, municipal leaders heard from the three party leaders represented at Queen's Park. The answer from each leader was a resounding, "NO". No leader presented alternatives which would fully address the scope of challenges municipal governments will face in the next ten years. We've also heard more about what we can't do – tolls and land transfer tax. We also know that regulatory creep continues, more reporting is required and more unfunded mandates are placed on us. Cannabis legalization is but one of the latest.

Ontario's municipal leaders remain committed to implementing a solution to our systemic challenge – a solution that sustainably meets local needs over time. Ontarians themselves have told us they are willing to consider a bigger and bolder option like the HST proposal.

AMO commissioned province-wide polling at three different times in the last year and a half. In each poll, a majority of Ontarians supported the HST increase if it went to local governments, and if it went to addressing local infrastructure needs. In fact, the latest poll of 1,000 Ontarians in June 2017, saw the number of people supporting this option grow from 60% to 73% of Ontarians.

For Ontarians, municipal needs are important. Ontarians live and breathe their local experience on a daily basis. They understand the challenges their communities hold. They understand the challenge that property taxation offers – a tax that has no relation to ability to pay.

With today's submission, AMO is again seeking the help of Queen's Park – to be visionary, to understand the challenges faced by Ontario's municipal governments, to be brave with us to find a

more solid foundation for the future. Grant programs have a role, but they are not the cornerstone of the future.

AMO will continue to pursue the Local Share action plan. AMO will continue to highlight the impact provincial government decisions have on municipal operations and on making the infrastructure gap, wider or narrower.

It is worthwhile to put the size of the challenge, and the proposed solution, in context. In terms of the problem we are attempting to address, AMO research has shown that to deliver existing municipal services and close the infrastructure gap, every year for the next ten years, municipalities will need an additional \$4.9 billion. This need is on top of inflation adjusted property tax and user fee increases. It also assumes that all existing federal and provincial commitments to cost-share programs and infrastructure funding programs are fulfilled.

Does the Local Share solution address the entire \$4.9 billion annual gap? No. It meets about half of it – around \$2.5 billion. It still means that there needs to be better ways to provincially legislate issues that affect municipal governments. This too must be part of the future.

Municipal governments need a clear and sustainable plan to be successful. Below are some examples municipal leaders will be seeking from the 2018 provincial budget to help build that plan.

Affordable Housing

The profound fiscal challenge that our role in housing represents for municipal government and property taxpayers is a key discussion point from *What's Next Ontario?* Municipalities are not alone in recognizing this. Several weeks ago, in early December, Ontario's Auditor General critiqued the Ministry of Housing for not having a strategy to encourage efforts by all levels of government to meet its goal of ensuring that everyone in Ontario has affordable and suitable housing. The Auditor General found that there were more people on social housing waiting lists than residing in affordable housing.

Part of a strategy is to maintain the existing housing stock. There is a \$1.5 billion capital repair backlog in social housing. This will require combined provincial, federal, and municipal funding. On top of this is the need to have new social housing to work at the growing waiting lists across all corners of the province.

Policing

The proposed new Policing Services Act (Bill 175) will not nearly do enough to fundamentally bend the policing cost curve. Ontarians pay the highest policing costs in the country. There's not enough in the proposed legislation to change that fact in the next few years. The government's five year legislative review was undertaken to improve the effectiveness and efficiency of policing. Some of the measures needed to do that include much broader opportunity to civilianize certain policing functions, which do not require a sworn, armed officer. One example includes directing traffic around construction sites.

Mandating municipalities with the development of community safety and wellbeing plans will include significant costs for municipal councils. Mandating overlapping waterways policing by the OPP and municipal services is an expensive duplication of services. These are but three examples of how the province could reduce the cost of policing with further amendments to Bill 175.

Interest Arbitration

If firefighters and police officers had received the same increases that other municipal unions did between 2010 and 2014, it would have meant \$485 million in savings to municipal governments. That could build a lot of infrastructure. It is more than four times the size of the 2016 Ontario Community Infrastructure Fund. That total, \$485 million, would build about 1750 kilometers of road – that's a road from Windsor to Montreal and back. For every \$100 million invested in infrastructure the GDP is boosted by \$114 million.

This missed opportunity around putting more onus on arbitrators to consider capacity to pay cannot be reclaimed, but it highlights how some provincial inaction is driving these key and expensive municipal service costs up.

Marijuana Legalization

The successful implementation of this federal law will require municipal enforcement and other resources. Municipalities have been seeking a greater share of revenues in acknowledgement of their costs. Municipal governments did not ask for legalization but will be saddled with the most work and the greatest costs. An agreement with the province on how the excise tax is shared is extremely urgent.

Municipal Reporting

For many years AMO and AMCTO have been arguing for the need to streamline reporting requirements to ministries. AMO has no objection to providing useful and timely reports, provided that they are read and used to improve public services. However, in many instances, there is little evidence of that. This is an issue raised by Don Drummond in his 2012 review of public services.

Recently proposed changes with respect to public health reporting suggest the pile on of prescription continues. Significant streamlining of these requirements are required and will help municipalities operate more efficiently.

We strongly urge the province to join us in a dedicated, systemic review of the reporting situation and the opportunity that Open Data work AMO is doing could help resolve some of the administrative burden on municipal governments and their agencies. We had a successful Business Burden Reduction pilot project that makes it easier for business to get permits, etc. A similar frame of approach could work here.

Conclusion

Municipal governments are important to the provincial government. We are the front line to so many services that make communities strong and that grow the economy. Our issues are important. They matter to Ontarians. Together we need to develop a plan that helps us make ends meet and to help our communities succeed.

We need a shared plan for the short-term and we need a shared plan for the long-term. We've provided some examples of what those plans could be. That includes those in this submission, it includes the Local Share, but it also includes the reports and letters we've prepared on a host of other policy topics and ongoing policy development in many areas. That includes Canada-Ontario Phase II infrastructure funding, climate change, protecting double hatters, fire safety regulations that make sense, a better land ambulance dispatch system, changes to long-term care, seniors programs, child care, a smooth transition to producer waste management, and many others. Provincial and municipal policies intersect in many areas.

Ontarians expect their governments to work together for the common good, on pressing and emerging issues. They expect governments to respect one another. They expect a plan, they expect success.

If the Local Share and the ideas in this submission are not part of the plan, Ontarians and municipalities will need to know what is.