Supporting Ontario's Communities: Long-term Prosperity in the Wake of COVID-19

Submission to the Standing Committee on Finance and Economic Affairs

July 15, 2020

Key Takeaways for Committee Members:

- Ontario's municipal governments invest $50 billion/year in Ontario's prosperity – equivalent to 1/3 of all provincial revenue invested across all geographic areas of Ontario.
- The pandemic and the subsequent lockdown have stressed workers, residents, businesses and local governments financially as jobs disappear while conversely demand for services increase. Canada has lost over 3 million jobs since the start of the pandemic.
- The ability of municipal governments to meet their expected services levels and to continue to do so is under severe pressure when the economy needs it the most.
- AMO has repeatedly called for provincial and federal financial assistance to Ontario's municipal governments and transit systems to provide relief from the pandemic's impact.
- Immediate relief funding will shore up the municipal sector, ensuring municipalities can lead the economic recovery locally in their communities with beneficial effects for provincial and national economies.
- Investing in municipal services such as transportation and transit, affordable housing, child care, water and wastewater, flooding and stormwater management, energy and conservation and others will get Ontarians back to work through jobs now and will lay the foundations for prosperity in the future.
- Municipal governments remain ready to partner with the province and federal government but require financial support and investments to create a broad-based economic recovery.

Introduction:

Municipal governments are local governments, delivering critical services directly to residents every day in their homes and neighbourhoods. During the pandemic and the corresponding lockdown response, municipal front-line workers have kept Ontario communities running by providing clean water; transportation and transit systems; managing wastes properly; delivering social services and housing to our most vulnerable; managing and enforcing public health safety rules to keep local communities and economies operating.

Municipalities continued to provide these essential services for their residents while ensuring worker safety and managing their own budget uncertainty. Many municipal governments in Ontario have deferred or delayed property tax or fee payments to help their residents manage their household finances while seeing steady declines in budgeted fees as services such as recreation programs and summer camps were not delivered; operated transit systems at greatly reduced capacity to help front line workers get to and from work and residents to essential services and occupations. Providing these services means providing workers with protective equipment such as face masks, shields, gloves and increasing cleaning schedules are evidence of our new, altered economic reality.

Now Ontario and Canada have entered a new phase of our post-COVID-19 world. It will likely never be like it was. However, governments, citizens and businesses must do what we can to safeguard our prosperity. Municipal governments are ready to lead the recovery in their communities and local economies – those local economies which make up Ontario and Canada's. To lead that recovery for everyone's benefit, municipal governments need relief from the expenses they have already incurred, and revenues foregone in the pandemic response – our COVID-19 gap. Without that relief, the local recovery we all depend on will be stalled, muted and delayed – which will only leave residents and communities at a disadvantage, bargaining with their future prosperity.

Municipal governments have always been the province's partners. Since March 17th, 2020, that partnership has only deepened as we continue work to safely close and re-open Ontario's economy. Since April, AMO has been warning that without relief to municipal budgets and transit systems municipalities would be forced to make very difficult decisions regarding the services they offer and the workers that deliver them. Ontario municipalities need financial safeguards to make it through the pandemic and continue to be your partners in the future.

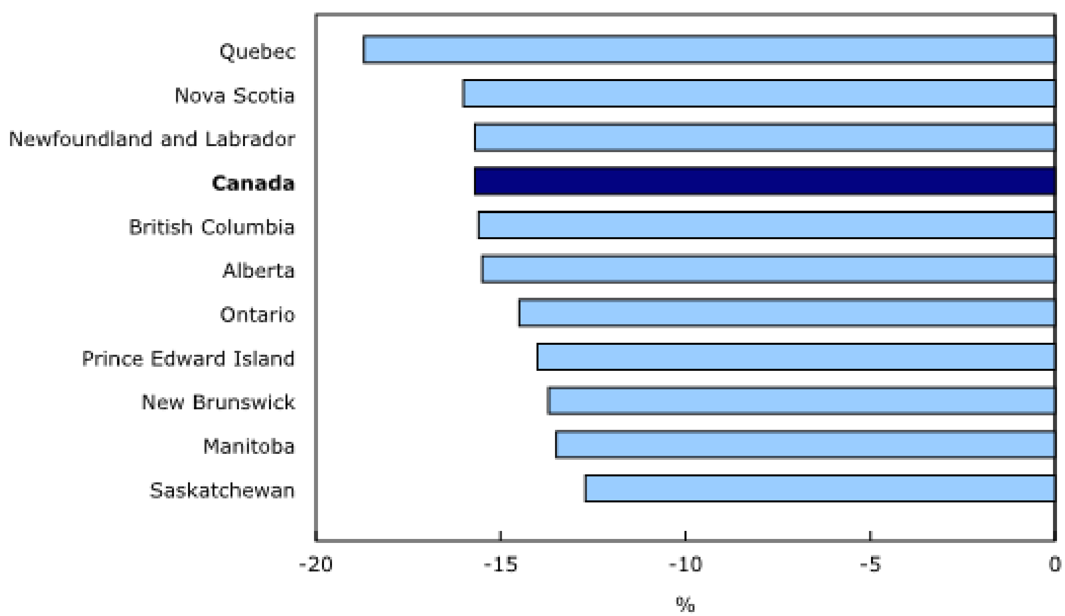
AMO and its members appreciate the actions taken by the Ontario government so far. The Provincial Government's Social Services Relief Fund (SSRF) provided $298 million that literally helps save the lives of our most vulnerable citizens by helping to offset substantial increases in costs to supporting human services experienced throughout the pandemic and lockdown. In addition the recently tabled *COVID-19 Economic Recovery Act* will make investments by local governments at the local level faster and more effective, assuming they have the resources to make them. In tabling the legislation, Minister Clark noted that municipal governments will lead the recovery in their communities and the Premier acknowledged that provincial resources were at the ready for municipalities awaiting federal support. AMO hopes that support arrives soon. Local governments and the communities they serve cannot wait much longer.

Economic Reality:

The economies of Ontario and Canada have been hit hard by the pandemic and the emergency response. Jobs and wealth creation have been reduced and the economic security of millions has been threatened.

While, the lockdown was the right measure and it surely saved lives, the economic costs of this policy action have been enormous: in January of this year, the Ministry of Finance reported that Ontario's unemployment rate was 5.2 per cent, a relatively healthy measure for the province in recent years. In March, the Ministry reported it had increased to 7.6 per cent as some of the impacts of the lockdown policy were felt. By May, a staggering 13.6 per cent of workers were unemployed and jobs declined by over 14 per cent.

Employment change by province, February to April 2020



Source(s): Statistics Canada, Labour Force Survey.

Putting that in perspective, it has been nearly 40 years – the 1981-82 recession – since unemployment was this high. In the 2008-10 financial crisis, unemployment in Canada was less than nine per cent. In the 1990-92 recession it was just over 12 per cent. But the magnitude of today's job losses is much more than it was in the 1980s, with today's employment decline over 15 per cent compared to 5.4 per cent at the time. Combining unemployment with under-employment, over 36 per cent of workers did not work or worked half of their usual hours in April. In February, that number had been 11.4 per cent, an increase of almost a quarter.

Unemployment rate increases during economic downturns, Canada, 1976 to 2020

Source(s): Table 14-10-0287-01 (formerly CANSIM table 282-0087).

For the province of Ontario overall, AMO is aware of some projections that suggest full time equivalent (FTE) positions in the workforce will be reduced by over 730,000 in 2020 with a projected impact on GDP for the province of -$89 billion. This is a staggering amount of wealth destruction and foregone economic opportunity for the province.

But there is some good news economically. The lockdown is a policy response to the coronavirus and the decline in infection rates and deaths shows that it is working. As the increase in cases leveled off and started to decline and the lockdown could be eased, jobs have rebounded with implications for GDP. In its latest forecast, the Conference Board of Canada estimated that 300,000 of the 3 million Canadian jobs lost during the pandemic lockdown reappeared in May and estimated that more will be regained by the end of the year, though still 1.1 million short of the level in 2019. Recently, Statistics Canada reported that unemployment had dropped to 12.3 per cent nationally and Ontario added 378,000 jobs between May and June and unemployment declined 1.4 points to 12.2 per cent. The same Conference Board of Canada report projected that GDP in Canada will grow by 6.7 per cent in 2021 and 4.8 per cent in 2022 as the Canadian economy returns which will have implications for jobs and productivity.

That said, COVID-19 and other macro-economic and political factors are likely to leave lasting or permanent impacts on the global trade environment, changes that will have implications for Ontario businesses. 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.

Financial Relief for Municipal Governments:

The potential that the new economic reality emerging from COVID-19 will not quite be able to reach the magnitude and robustness of previous economic environments is significant for Canada, Ontario and municipal governments. To maximize economic potential to create and sustain widespread prosperity in Ontario as the province emerges from the lockdown will require both a steadily managed and phased approach to removing limitations as well as a carefully laid foundation on which to build economic activity.

In the past few months, municipal governments have acted on the needs of their residents and communities during the pandemic. Municipalities maintained essential services such as drinking water and wastewater treatment, waste management, transit services, long term care homes, housing and income supports, safety services and others, while deferring payment of taxes, fees, fares and other revenues. While revenues were reduced or foregone, municipal budgets also absorbed increased costs for protective equipment for our workers and increased costs for cleaning of transit and facilities.

To help ensure these services continue to be available to residents, businesses and communities, AMO has strongly supported the request of the Federation of Canadian Municipalities (FCM) for at least $10 billion in emergency funding to municipal governments. AMO has also worked with CUPE Ontario to call for a shared provincial-federal program to provide emergency support to municipalities and their workers. As those calls have noted, the time for action is running out – emergency funding is urgently needed.

While the impacts on each municipal government will vary based on population, services, geography and other characteristics, AMO understands that all municipalities in all regions of the province will have experienced impacts due to foregone revenues and increased expenses. Each of the affected municipalities will have adopted financial strategies to manage the impact including layoffs, not hiring positions, reassigning staff, accessing reserves, amongst others.

As an example of the impact the shortfalls due to the pandemic are having, in the Greater Toronto and Hamilton Area municipal finance staff worked together in April to begin to quantify the impact on their budgets after mitigation measures and (some) savings from reduced services. They found that they would experience a shortfall between $2-3.5 billion this year and require impossible property tax increases of between 16 and 32 per cent to cover it.

Our small and rural communities are also impacted by the increased costs brought by managing the pandemic. As an example, the Town of Meaford has experienced increased costs due to the needs of increased cleaning and protective equipment for staff as well as increased staffing to deal with service demands. Meaford is projecting the impact of the emergency could be $200,000 - $400,000 this year. To put that in perspective, in 2020, the Town has budged tax revenues of $14.97 million, meaning the pandemic will have an impact of 1.3 – 2.7 per cent of taxation revenue potential on the Town. Meaford instituted a property tax deferral scheme for 3 months to help their residents manage the impact of the pandemic on their finances.

Grey County is a rural Ontario municipality that has experienced increased costs due to the pandemic. The municipality of 94,000 residents anticipated property taxes in 2020 of $59.8 million. The increased costs of managing the pandemic for the municipal government are expected to be $1.1 million, nearly two per cent of the tax revenue.

A final example is the City of Ottawa which is projecting a deficit of $192 million in 2020 representing almost 11 per cent of its property tax revenues. Ottawa is experiencing the demands all the other municipalities are facing as a result of the pandemic and the City operates an extensive transit system. The City's taxation revenue projected for the year is $1.76 billion.

Appendix 1 provides a snapshot of what has been experienced in communities large and small, urban and rural, and provides some details on how AMO members have worked to manage these impacts.

Sustaining Public Transit through COVID-19 and Beyond:

Public Transit system impacts, usually operated and financed by municipal governments with operating support from rider fares, have received media attention as ridership has significantly decreased while the need for physical distancing on vehicles has increased. Cleaning and protective equipment costs have also increased substantially.

According to the Canadian Urban Transit Association (CUTA), transit operating budgets have experienced unrecoverable declines of 40-50 per cent as a result of the factors discussed. AMO has supported the Federation of Canadian Municipalities (FCM) and CUTA request for $2.4 billion transit relief funding.

In Ontario, our public transit partners, the Ontario Public Transit Association (OPTA) have informed AMO that local transit agencies in the province are experiencing shortfalls of approximately $200 million per month and transit is unlikely to see a return to pre-pandemic ridership in the near future. If these conditions are sustained for one year, that will result in a $2.4 billion shortfall – the request for all of Canada - for transit in Ontario alone.

However, on a more qualitative note, the impact on municipal transit system finances is about more than funding pressures and fares foregone. It is also about returning services to a sustainable level to support local economies. For instance, AMO is aware of a member's transit system in southwestern Ontario where a local food manufacturer has added another shift and needs increased transit service on Saturday to support its workers. However, recent losses mean there is no funding for expansion available. Unless there is a solution found, this will leave products unmade and less money in the pockets of recently added workers.

Another potentially surprising implication impacts specialized transit services to our most vulnerable residents. AMO understands that to manage the pandemic and safety of healthcare staff, medical offices are requesting specialized transit operators to drop off patients as close as possible to when appointments start and pick them up immediately thereafter, to minimize contact and exposure. While reasonable and understandable, such measures curtail the number of trips that can be made, limiting service availability for patrons under current restraints.

AMO appreciates the Ontario government's commitment to transit expansion and local infrastructure generally as demonstrated by many of the commitments in Bill 197 to deliver projects faster. Transit agencies and municipal governments also appreciate the support the province has given to help extraordinary transit cleaning needs in the short-term. However, without the immediate relief for municipal budgets and transit systems that AMO has repeatedly called for, municipal governments will not have the resources to put towards these initiatives, curtailing the potential for economic recovery locally, in the province and nationally.

Investing in Jobs Now and for Prosperity for the Future:

Ontario's municipal governments remain a key partner in the prosperity of local businesses and workers, their communities and the provincial and national economies they make up. On the whole, municipal governments invest $51 billion of revenues in Ontario's communities to support workers and residents, their families and businesses, over one third of the provincial government's revenue take.

Almost $8 billion of that municipal own-source funding went to capital in 2017 and $3 billion to services that are traditionally delivered by provinces in Canada such as health and social services, housing and family services with the balance delivering services such as fire, paramedic, policing, waste management, parks and recreation, culture and libraries as well as roads and transportation management, public health and services to the elderly. Other municipal services such as water and wastewater and recreational programming are supported by user fees.

Historically, infrastructure spending has been an effective option for governments to improve GDP growth, jobs and tax revenues at the federal, provincial and local levels. While jobs are created in the short term for development and construction, infrastructure provides multiplier benefits in the long term by making it more efficient for private sector companies and consumers to make and access goods and services which contributes to prosperity now and in the future.

These investments also increase government revenues long term. 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.

A more recent analysis by the Canadian Center for Economic Analysis suggests that if the Ontario and federal governments invest in infrastructure at the same proportion as they did pre-pandemic (while covering municipal operating deficits) the result would be a decline of 55,000 jobs over ten years and in $8 billion federal and $12 billion provincial tax revenues. However, if those investments were increased in the short term with coverage for municipal operating deficits so that municipalities could also invest, within ten years a gain of approximately 61,000 jobs and $9 billion federal and $13 billion provincial tax revenues could be realized.

AMO has previously written a letter (Appendix 2) to the federal and provincial ministers of Finance and others responsible for the economic recovery to suggest areas of capital investment in municipal services which could improve the efficiency of services and contribute to an environmentally sustainable recovery. To start with AMO suggested:

- Accelerating infrastructure investments under current programs such as the Investing In Canada Infrastructure Plan (ICIP) through moving allocations – including for unallocated Green Stream funds – forward and expediting approvals for projects to allow construction to proceed as quickly as possible and flowing funds to municipal governments up front, rather than after the fact;
- Additional increases to the federal Gas Tax Fund to support local infrastructure projects as called for by the FCM; and
- Long-term funding to expand transit in light of new requirements for managing physical distancing.

AMO notes that in recent days funding for some ICIP projects in Ontario have been announced and appreciates the Ontario government's expanded commitment to municipal connecting links and the federal government's acceleration of this year's Gas Tax Fund allocation.

In addition, should changes to Environmental Assessment requirements be streamlined as proposed in Bill 197 with the effect anticipated by the provincial government, Ontario municipal infrastructure projects should be able to move forward faster in the future at lesser cost, maximizing funding.

AMO also noted in that letter the potential for investment in many municipal services through targeted funding expansion to meet the shared goals of economic expansion, environmental quality improvements, climate change adaptation and mitigation of greenhouse gases. Investments in these services include:

Connectivity:

Additional provincial and federal investments in connectivity in Ontario to accelerate improved internet access and cellular coverage for residents and communities – especially relevant as school and work moves increasingly on-line.

The pandemic and lockdown have exposed and exacerbated existing inequalities in connectivity experienced by Ontario communities as many residents struggled to stay connected to their jobs and essential services and education. AMO is aware of at least one member, the Town of Caledon, which invested in extending their own Wi-Fi connections outside of Town facilities so that residents could access their jobs, families and services.

Flood Protection and Stormwater Infrastructure:

Flooding and stormwater management infrastructure safeguard communities and ensure economic continuity in Ontario in the face of changing weather patterns and increasing storms. This infrastructure protects residents and their properties, essential public and private infrastructure systems and allows businesses to continue to operate when potential flooding disruptions threaten operations. They can also reduce costs for insurance and taxpayer relief by mitigating flood event impacts.

One example of flood protection costs for Ontario municipalities is the Town of Tecumseh, with a population of 23,000 residents which is facing a cost of $100 million to safeguard its residents and infrastructure from flooding. Nearby in Ontario's Southwest, The Municipality of Chatham-Kent is home to a $3 billion agri-food sector amongst other industries and is estimating up to $1 billion in flood mitigation works required to protect the municipality and its economy from rising waves and flooding.

Energy Conservation and Green Energy:

Residential, commercial and institutional buildings are a major driver of demand for electricity and heating fuels. Retrofitting existing building stock to improve energy conservation and lower intensity could potentially create thousands of jobs, increase building values, improve indoor air quality and contribute to climate goals.

While a number of mechanisms could be used, AMO supports a mix of instruments including Local Improvement Charges (LICs) that would allow home and building owners to borrow funds and pay off these improvements over time on their local property tax bill. To do this, federal and provincial backstop funding and seed capital could allow the program to get up and running faster and make it broadly available to Ontarians. Overall, this would allow the creation of readily trained local jobs to fill the demand and improve outcomes for residents, communities, Ontario and Canada.

Affordable Housing:

There also appears to be promising practices in play that could help facilitate new affordable housing and employ unemployed and under-employed people at the same time.

Recently, the provincial government announced a new training project that will prepare up to 100 job-seekers with the training and resources needed for a career in the construction industry, by providing them with a hands-on learning experience while building affordable modular homes at a new training facility in the Town of Georgina. SkillsAdvance Ontario is providing $4 million to facilitate the new project, in collaboration with SkillsOntario and Georgina Trades Training Inc. (GTTI).

In Sault Ste. Marie the Ontario Government is investing in a project that will help people move out of community housing into affordable home ownership and provide training to help social assistance recipients get good jobs. The District of Sault Ste. Marie Social Services Administration Board is buying homes in a state of disrepair and expanding a training program at Sault College that teaches Ontario Works clients building and maintenance skills. The students will work with licensed contractors to renovate the homes. After which, the DSSAB will then sell the homes to residents of community housing and low-income community members. This increases home ownership and frees up community housing units for other low-income residents. It also serves to help rejuvenate neighbourhoods and generate additional property tax for the municipality.

If scaled up across the province, these types of initiatives could increase housing affordability and improve long-term social and economic outcomes with benefits for Ontario's prosperity. Those receiving this type of training would also be able to market their skills in any building energy efficiency upgrade program supported by LICs at the local level, increasing their employment potential in the near and medium terms.

Child Care:

In addition to stabilizing school participation, child care will be an essential ingredient to returning the economy to a growth path. In our letter to federal and provincial ministers on the recovery, AMO noted that 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. This means that investments in child care make good economic and social sense in a number of ways.

In addition to facilitating participation in the labour force by parents and guardians, 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. Without attention to schooling and child care, Ontario and Canada are unlikely to be able to facilitate the prosperity that we all seek.

Conclusion:

Ontario's municipal governments are important contributors to Ontario's prosperity, investing $50 billion annually, the equivalent to approximately one-third of provincial government revenues, in local economies across the province. These investments are automatic stabilizers in times of economic uncertainty and downturn and the services provided allow economic expansion, improved prosperity and increased federal and provincial tax revenues in the long-term in addition to short term jobs.

Ontario municipal governments have continued to support local communities through the pandemic and lockdown, providing essential services to our residents and businesses. Without immediate attention and support from the provincial and federal governments, municipalities' ability to continue to partner in investing in Ontario's economic prosperity is under significant threat and those services that residents, businesses and communities have relied upon during the emergency could face cuts. The knock-on effects in local economies are likely to be substantial.

This does not have to be the future we envision. Immediate relief for municipal governments and the transit services they fund can shore up municipal ability to continue to invest in communities. Further, investments in a broader view of infrastructure can improve and expand services that businesses and residents rely on to create wealth and improve prosperity for the long run.

Appendix 1:
Community Snapshot: Examples of Current Municipal Review/Analysis of Financial Position During COVID-19

- The following table outlines a series of intermittent findings derived from various municipal public reports to Council and interviews with municipal staff.

Municipality	**Increased Expenditures** (if applicable, health and human services) – Cost mitigation (where available) is captured as well	**Decreased Revenues** (i.e. impact of deferrals, user fee reductions, lower DCs, loss of recreation, POAs etc.)	**Current and/or Future Fiscal Outlook** (i.e. cash flow, expected losses etc.)
City of Hamilton	- Additional $7.4M for staffing and PPE costs for Public Health Services - Total gross additional costs are estimated to be $31.7M as Public Health, Ontario Works and Housing Services are being increased in response to COVID-19 pandemic (some costs offset by Province)	Current forecast estimates a loss of revenue of 58.1 million mostly from transit, recreation, parking etc.	The city has undertaken a "two scenario analysis" from their recement Council Report based on projections for how long this current Covid-19 environment will continue
Owen Sound (As of June 30)	- $90,000 on COVID-specific expenses so far - City has regained some funds via fares, bag tag fees, parking.	Deficit expected to double if team sports can't take place this fall – a revenue hit. The revenue at risk is estimated to be up to $1M.	Total estimated operating deficit is estimated to be around $560,000.

Municipality	**Increased Expenditures** (if applicable, health and human services) – Cost mitigation (where available) is captured as well	**Decreased Revenues** (i.e. impact of deferrals, user fee reductions, lower DCs, loss of recreation, POAs etc.)	**Current and/or Future Fiscal Outlook** (i.e. cash flow, expected losses etc.)
Grey County	- County departments experiencing deficits include: worker compensation, provincial offences, LTC, paramedic. - LTC increased costs include screening, additional staff, PPE, equipment to support infection protection. If outbreak occurs, costs are even higher. - Projected deficit of $1.37M (LTC hardest hit). Using surpluses from other departments to assist with deficit. - The Heath Unit's expenditures related to COVID-19 projected to be $250,000 for 2020. - Long-term care COVID-19 expenditures and impact: Difficult to predict, but additional equipment and staffing costs incurred. - Paramedic Services: projected to end the year	Gross revenues are $245,100 lower than budgeted as of the end of April. - Investment income is projected to be lower by $200,000 with interest rates being lower than projected in budget. - POA is projected to end the year with a shortfall of $33,000 Workers' Compensation budget is projecting a year-end deficit of $192,000. - Economic Development: anticipate a $76,000 deficit resulting from fixed costs. - Transportation Services Department is projecting to end the year with a $105,000 operating budget shortfall.	- Predicts $1.1M deficit due to COVID. - Grey Bruce County Health Unit projected to see $250,000 in additional COVID expenditures. - Looking to shift capital projects money to offset COVID expenses.

Municipality	**Increased Expenditures** (if applicable, health and human services) – Cost mitigation (where available) is captured as well	**Decreased Revenues** (i.e. impact of deferrals, user fee reductions, lower DCs, loss of recreation, POAs etc.)	**Current and/or Future Fiscal Outlook** (i.e. cash flow, expected losses etc.)
	with a shortfall in the operating budget.		
Municipality of Meaford	- Estimated costs from COVID-19 is more than $145,000 - This includes signage, barriers, PPE, cleaning supplies. Enhanced daily cleaning for staff if return to work. - Parks reopening could add massive cost in cleaning and staff time.	- The 2020 Tax Levy has been budgeted at $14.97M. Losses are going to well over 1% of tax levy. In part, due to tax deferrals for three months.	- Staff now expect the minimum financial impact of the emergency to be $146,300 (end of June). - July and onwards: Additional cost of +/- $45k to deal with enhanced cleaning/by-law enforcement coming. - Anticipating $200k-$400k of further losses depending pandemic duration.
City of Ottawa	Staff put in place measures including hiring freeze, pause infrastructure.	Revenues continuing to decline in a number of areas. (significant for transit).	Projecting deficit of $192 million.
City of Windsor	- Unexpected budget costs of $15.4 million to address virus-related needs that include the purchase of personal protective equipment (PPE) and additional cleaning efforts.	Losses at Transit Windsor are projected at $4.8 million. Dividend payments from Ontario Lottery and Gaming Corporation provided to the city for hosting Caesars Windsor are expected to be $6.6 million less this year	Expecting an overall loss of revenues this year to reach $36.6 million.

Municipality	**Increased Expenditures** (if applicable, health and human services) – Cost mitigation (where available) is captured as well	**Decreased Revenues** (i.e. impact of deferrals, user fee reductions, lower DCs, loss of recreation, POAs etc.)	**Current and/or Future Fiscal Outlook** (i.e. cash flow, expected losses etc.)
	- Reduced operating expenses of $16.7 million due to shutdowns and layoffs		
City of Mississauga		Significant revenue loss in transit, reduced revenues for recreation, parking, POA.	A deficit of approximately $60 million by year end is expected as a result of revenue losses and new costs due to COVID-19.
City of Niagara Falls			Facing a $4 million gap to date. Without support, they are facing a double-digit property tax increase according to Mayor Diodati.
City of St. Catharines			Originally facing a $10.5 million year-end loss. It has since been mitigated to $6.6 million due to temporary layoffs. Indication that deep service cuts may be forthcoming.
City of Sudbury	City increased services to help vulnerable people and to help with health and safety measures. Expenditures related to COVID-19 are expected to be	$5.7 million of the deficit is attributed to lost revenues from parking, transit, facility rentals, and sports and programming fees.	Staff project a $6.7 million dollar deficit to the end of June.

Municipality	**Increased Expenditures** (if applicable, health and human services) – Cost mitigation (where available) is captured as well	**Decreased Revenues** (i.e. impact of deferrals, user fee reductions, lower DCs, loss of recreation, POAs etc.)	**Current and/or Future Fiscal Outlook** (i.e. cash flow, expected losses etc.)
	$5.6 million until the end of June. $1.7 million in mitigation comes from cancelling the summer student program.	62% of revenue loss arises from user fees. Next is 20% from slot revenue, POA and MAT revenues. Last 15% is on lower investment income.	
Municipality of Chatham-Kent	Reopening of services as part of Phase 2 will result in the corresponding maintenance, staffing, vehicle, garbage and signage requirements. This will cancel out an estimated $450,000 of the savings.	Reduction of revenues from reduced or stopped services also meant that cost containment measures were in effect.	The potential 2020 operating deficit was estimated at $3.3M in the May 11th, 2020 report on Financial Resiliency which was to be offset with $2M of savings by closing facilities and operations.
Township of Leeds and Thousand Islands	Emergency expenditures related to COVID-19 currently total approximately $34,000 year to date. This includes laptops, fencing, signage, vehicle rental costs and cleaning supplies.	Reductions and Revenue loss: - Operating budget reductions $363,350 - Operating projects $199,000 - Estimated Casino revenue reduction ($750,000) - Transfers to reserve funds from operating $750,000 - Penalty and interest revenue on property taxes and utility bills ($77,500)	Current estimate on reduction to operating budget for the year is $250,850.

Municipality	**Increased Expenditures** (if applicable, health and human services) – Cost mitigation (where available) is captured as well	**Decreased Revenues** (i.e. impact of deferrals, user fee reductions, lower DCs, loss of recreation, POAs etc.)	**Current and/or Future Fiscal Outlook** (i.e. cash flow, expected losses etc.)
		- Garbage bag tag revenue ($35,000) - Capital Budget reductions/deferrals $716,500	
Municipality of Brockton	COVID-19 expenses at $15,068, with ongoing expenses being processes.	- Daycare closure revenue loss: $127,884 (since March 13) *does not incl. fixed costs - Projected recreation revenue loss to end of June 30th: $260,050 Lost revenue from waiving penalties and interest: $10,087/month. $30,260 for three-month term.	The current forecast to June 30th estimates a loss of revenue of nearly $434,483.

Appendix 2:
Municipal Services and Economic Recovery – Letter to Ministers Morneau and Phillips beginning on the following page.

Sent by email to: Bill.Morneau@canada.ca
Minister.fin@ontario.ca

April 27, 2020

The Honourable Bill Morneau
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario
K1A 0G5

The Honourable Rod Phillips
Ontario Minister of Finance
Frost Building South, 7th Floor,
7 Queen's Park Cres
Toronto, Ontario
M7A 1Y7

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.

200 University Ave. Suite 801
Toronto, ON, M5H 3C6
www.amo.on.ca
amo@amo.on.ca
Tel 416. 971.9856
Fax 416. 971.6191
Toll Free in Ontario
877.426.6527

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.

200 University Ave. Suite 801 www.amo.on.ca Tel 416. 971.9856 Toll Free in Ontario
Toronto, ON, M5H 3C6 amo@amo.on.ca Fax 416. 971.6191 877.426.6527

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