



Building a Recovery to Strengthen all of Ontario: A Provincial-Municipal Partnership for a Safe and Prosperous 2021

Submission to the Standing Committee on Finance and Economic Affairs

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Table of Contents

Introduction	3
A Provincial-Municipal Partnership for a Safe and Prosperous 2021	4
Fiscal Stabilization.....	4
Building Healthy and Safe Communities.....	5
Housing and Homelessness.....	5
Childcare	6
Long-Term Care.....	6
A Stronger Economic Recovery for Ontario	7
Broadband Connectivity	8
Strengthening Ontario Municipalities	8
Maintain a Stable Ontario Municipal Partnership Fund (OMPF)	8
Joint & Several Liability	9
Administrative Penalties for red light cameras and Automated Speed Enforcement technologies	9
Heads and Beds.....	10
Flood Mapping.....	10
Circular Economy	10
Conclusion.....	10

Introduction

Ontario's \$50 billion municipal sector is a key partner in Ontario's prosperity and will play a lead role in economic recovery.

In 2020, Ontario's leadership in national discussions on pandemic response helped achieve the \$19 billion Safe Restart Agreement (SRA) which included \$4 billion in support for Ontario municipalities to offset the added costs and revenue losses due to COVID-19. As the pandemic continues, municipal governments are looking again to Ontario to ensure that much needed financial assistance is in place in 2021 so they can continue to deliver the services Ontarians rely on most.

The pandemic has exposed many structural challenges in complex provincial-municipal public policy, fiscal and service delivery arrangements. Yet, through collaboration, additional funding and timely policy responses, Ontario and its municipal partners have continued to meet the essential needs of communities under difficult circumstances. The lessons we have learned can assist us going forward.

One of those lessons is in the value of better integrated public policy and services. Municipal governments recognize the need for integration and understand the effects policy decisions made in isolation can have on community outcomes. This submission focuses on the importance of integrating policy decision-making to ensure Ontario is positioned for recovery and growth.

As AMO looks forward, it recognizes the sacrifices made by people and communities in every part of Ontario. Too often, the impacts are disproportionately felt. If the recovery is to succeed, it will need to invest in communities and in measures that broaden participation in the economy and create new opportunities for those who have been excluded in the past.

AMO, and municipalities in every part of Ontario, are optimistic that Ontario is poised for a strong economic recovery, and a prosperous and competitive future. We have demonstrated that when orders of government work in collaboration, as taxpayers expect them to, they can overcome serious obstacles and accomplish positive change. Let us learn from the challenges of 2021, and allow innovation and collaboration to guide our future work together.

A Provincial-Municipal Partnership for a Safe and Prosperous 2021

As we look to an unprecedented year ahead, AMO urges the government to pursue a comprehensive approach to social and economic recovery that must include:

1. Fiscal Stabilization for Municipalities
2. Healthy and Safe Communities for People
3. Investing in a Stronger Economic Recovery
4. Strengthening Ontario's Municipal Governments

Fiscal Stabilization

Municipal governments provide frontline services to our communities. Many of these services are paid for through property taxes, some through user fees and others via transfers from the provincial government. Municipal governments have shown themselves to be fiscally prudent and effective in generating value in Ontario's economy.

The \$4 billion dollar package through the Safe Restart Agreement reflected an unprecedented level of intergovernmental cooperation. This financial assistance, coupled with local constraint measures allowed municipal governments to address immediate cash flow concerns, a structural decline in revenues, and prevented budget deficits in 2020.

AMO was pleased to see the financial support being carried forward in 2021. The challenges experienced in 2020 have carried over and this early funding points to a recognition of the fiscal challenges ahead. We know that municipal governments have limited scope for additional constraints, declining revenues, and will continue to face increasing COVID-19 related costs throughout 2021. To this end, the Financial Accountability Office is expecting a negative financial impact on municipal budgets in Ontario to be \$2.7 billion over this year.

AMO is asking the Government of Ontario to champion additional federal-provincial financial assistance in 2021 to offset the ongoing financial challenges of the COVID-19 pandemic.

The scope of benefit from the SRA funding cannot be overstated. For example, Public Health and Paramedic Services have been playing a critical role on the frontlines to protect people from COVID-19. However, resources are stretched to capacity and continued funding for extraordinary costs and to build capacity are crucial to support vaccination efforts moving forward.

The Province of Ontario invested a half billion dollars through the Social Services Relief Fund (SSRF). AMO strongly encourages the government to continue SSRF funding post March 2021. This funding equipped municipalities with the resources to help vulnerable populations stay safe and healthy. It is no exaggeration to note that this funding saved lives during the first wave of COVID-19 pandemic and continued funding is critical throughout this year.

AMO asks the provincial government to continue the vital Social Services Relief Funding beyond March 2021 to ensure vulnerable communities continue to be provided the needed support during this public health crisis.

In the City of London, the SSRF funding in 2020 allowed them to more than double their homelessness prevention budget from \$16 million to \$37 million. As a result, London provided isolation spaces, physically distanced temporary shelter space, 24-hour staffing, meal support, move forward on modular housing, and more. The fear is that if funding is not provided after March 2021 it will see more people back out on the streets.

Fiscally stable municipal governments are the backbone of essential public services that people and businesses in Ontario rely on most. Local governments will be critical actors in a “slow growth” economy that is expected to be our new reality for the near term. Through the right balance of investments, municipal governments can support intersecting economic and social policy outcomes that target the overall health and potential of communities as a bedrock for how we live, work, and build lives for our families.

Building Healthy and Safe Communities

The pandemic has further exposed vulnerabilities within our communities. In some cases, it has demonstrated that our communities are not as safe and healthy as we need them to be for all people. The post-pandemic environment will require all orders of government to work together to reconceive and rebuild our social infrastructure so that we achieve a socio-economic recovery that benefits all Ontarians.

Housing and Homelessness

Building housing and social infrastructure helps develop and support human capital. The need for more affordable housing is clear. The pandemic has shown in even starker relief why access to adequate and affordable housing is in the public interest. Acting now to resolve this will achieve many positive individual and societal outcomes.

Homelessness and housing precarity are expected to rise because of COVID-19 and its associated economic challenges. Even before the onset of the emergency, the Ontario Non-Profit Housing Association noted that nearly 750,000 households were in core housing need and over 185,000 on waiting lists for subsidized housing in Ontario alone.

Housing investments yield economic benefits from both construction jobs and its multiplier effects; in turn providing an avenue to aid in economic recovery. It also helps to secure a critical social safety net for people with low to moderate incomes or people requiring special supports, such as help with mental health and addictions. There are many projects that could be expedited and/or capital repairs that can be quickly undertaken.

As noted, significant provincial support was provided to help people through the Social Service Relief Fund. It was welcome news to see that the fund was to be used for capital projects including acquisitions for new shelters and housing. This will certainly help on the frontlines. However, more **operational funding through the Community Homelessness Prevention Initiative (CHPI) and the Homes for Good program** should be considered this year and next to help staff these facilities, support people to stay safe, and improve their housing outcomes.

AMO supports the **expansion of the High Priority Communities Strategy**. This funding is enabling interventions such as self-isolation facilities and more health promotion outreach activities. Doing so helps communities further protect residents and communities by reducing the

transmission of COVID-19. Where necessary, these initiatives should be expanded to target more high-risk communities.

AMO appreciates the policy intent to freeze residential rent in 2021. However, **this provincial initiative will create the unintended consequence of incurring a cost for municipal governments to subsidize the measure for residents of community housing.** AMO asks for the government to work with municipal service managers to help mitigate the financial impact in the 2021 calendar year.

Finally, AMO believes with strong intergovernmental cooperation and a whole-of-government approach, there is an opportunity to emerge from this public health crisis with a path forward to end chronic homelessness in Ontario. This will certainly require a range of funding and a suite of non-financial interventions such as reviewing and changing legislation, regulations, policies, procedures, and practices.

Childcare

In addition to stabilizing school participation, childcare is an essential ingredient to returning the economy to a growth path. For every five children in a childcare setting, it is estimated that one full-time employee equivalent is created. This includes Early Childhood Educators, cooks, cleaners, and other staff. This means that investments in childcare make good economic and social sense.

Participation in the labour force by parents and guardians plays a critical role for economic stability and the reduction of poverty. Equally, early childhood development leads to improved educational outcomes resulting in a stronger labour force for the future. Without attention to schooling and childcare, Ontario will fail to realize an important potential economic resource. **AMO encourages the province to work with the federal government to accelerate the co-development and co-funding of a National Child Care and Early Years System in Ontario.**

For municipal service managers, sustained and flexible funding is needed to ensure continued safe operations and a financially viable system throughout the duration of the pandemic. An assessment is needed to determine if the sustainability and re-opening funding provided to date has been adequate.

AMO also asks the provincial government to reconsider changes effective January 1st, 2021, that require municipal service managers to increase their cost share of all administrative costs, especially for initiatives delivered on behalf of the province such as wage enhancement for Early Childhood Educators.

There is recognition that the Safe Restart Agreement funding was instrumental to stabilize childcare and help ensure the continued safe delivery of services to essential frontline workers and working parents. **Given the continued impact of the pandemic, more stabilization funding to preserve the childcare system will be needed.**

Long-Term Care

Long-term care continues to feel the devastating impact of the COVID-19 pandemic. Residents have been disproportionately impacted with affected families and communities feeling the brunt in the most profound and tragic ways. Approximately 80% of COVID-19 related deaths in Canada to date have been within long-term care settings.

Decades of underfunding and understaffing has affected the ability of homes to address outbreaks. The government responded with significant funding to cover all COVID-19 related costs and increased Infection Prevention and Control (IPAC) capacity. **AMO supports continuing this funding and extending the High Wage Transition Fund beyond March 31, 2021.** This is no time for any reduction of funding to the sector.

The broader response to the public health crisis impacting long-term care has seen the government commit to an ambitious plan for development of new long-term care bed capacity over the coming years. **AMO strongly encourages the government to outline a clear plan for bed expansion to ensure it happens in all areas of the province, including urban, rural, northern, and smaller communities.**

Additionally, municipal government participation in new bed expansion will require the **government to provide adequate capital funding for development and sustainable operational funding** that does not result in healthcare services being subsidized by property tax dollars. Finally, AMO supports the creation of a Centre of Excellence to advance and support governance, services, and care within long-term care homes.

As the situation evolves in real-time and we act during this second wave, any progress to date needs to be maintained and reinforced. It is no longer a question that sustained and direct support for long-term care homes is required. We must help protect vulnerable seniors now, prepare for the future, and ensure the tragic experience of COVID-19 is never repeated.

A Stronger Economic Recovery for Ontario

Municipal government is an economic driver in Ontario. With combined revenue of over \$50 billion per year, municipalities invest this back into the community through a variety of services, programs and investments that create jobs and infrastructure that contribute to economic growth.

With the economy contracting due to the pandemic, it will be critically important for Ontario's municipal governments to maintain their focus and commitment toward infrastructure and capital projects. A sustained economic recovery will be dependent on better infrastructure systems to make goods production, transport, and consumption more efficient to make up for the lasting effects of the pandemic. AMO believes **the government should enable and further seek to support this commitment to hard and social infrastructure investments.**

In a 2020 report [Averting a Crisis: The Need to Protect Ontario's Infrastructure Investments from the Resident and Civil Construction Alliance of Ontario \(RCCAO\)](#), it noted that from July to September, a 35% decline was seen in building permits for institutional and government construction projects. A trend, that if continued could result in a loss of over 40,000 construction jobs and have downstream economic impacts for communities.

AMO recommends maintenance of the provincial gas tax funding allocations from a base year of 2019 for the coming years ahead. This will account for the anomalous economic shock created by the pandemic that has resulted in reduced gasoline consumption. This stable and reasonably predictable source of revenue is critical for municipalities to maintain adequate transit services during the pandemic.

The Safe Restart Agreement funding that has flowed to municipal governments in Ontario has provided a sense of stability. As a result, communities can now target strategic infrastructure spending as an economic stabilizer. These investments provide an immediate stimulus and help with improving GDP growth, job creation and growing tax revenues for all orders of government. These investments deliver multiplier benefits and will be critical to furthering our recovery efforts.

Building infrastructure for our communities will continue to be a cornerstone of economic recovery. Better infrastructure builds lasting prosperity by creating construction and engineering jobs now and making it more efficient for businesses to create and market goods and services and for consumers to access them later. AMO appreciates the recent work of the provincial government to make these investments faster and more efficient.

The Ontario Community Infrastructure Fund (OCIF) has long helped municipal governments invest in the core infrastructure their communities require. This Fund has increased over the years and the formula allocation is welcome. To improve the ability of municipalities to make the best use of this funding, AMO recommends that the provincial government stabilize and, if possible, increase the funding allocation for OCIF while returning to multi-year allocations so communities can build longer-term budgetary expenditures. This would provide certainty to municipal finances and ensure that contractors see a stable funding pipeline for these important projects.

Other enhancements that could be made to OCIF include expanding project categories to align with municipal Asset Management Plan priorities as well as consider re-establishing the application funds for the smallest communities. AMO appreciates the Premier's call for increased federal infrastructure funding to help the economy recover.

Broadband Connectivity

In the 21st century, connectivity is a necessity, not a luxury. The pandemic has changed how Ontarians work, learn, access goods and services, and interact with friends and family online. Access to high-speed, reliable, and affordable internet will foster remote work opportunities outside of urban areas that can alleviate housing affordability issues, facilitate greater economic development, improve accessibility, and attract newcomers to a broader suite of communities. Greater connectivity also alleviates the strain on public infrastructure and contributes to reductions in GHG emissions.

AMO appreciates the investments the province has made to expand and improve broadband and cellular access. Improving access to unserved and underserved communities to at least 50/10 Mbps unlimited will prove to be an important economic and inclusion-based policy outcome from this pandemic.

AMO will continue to support the province in seeking greater federal funding to flow to current and future projects. **The province should also continue to invest in financial and other supports to ensure that all Ontarians are connected as quickly as possible.**

Strengthening Ontario Municipalities

Maintain a Stable Ontario Municipal Partnership Fund (OMPF)

AMO is keen to see the government continue its recent trend of maintaining the stability and predictability of the OMPF. In 2020, the OMPF funding envelope was provided in a timely manner

and remained at \$500 million in unconditional operating support from the province to municipal governments.

The OMPF is a critical source of funding for 389 municipalities across Ontario. Some are very small municipalities without any growth in their property assessment base or those who face challenging economic circumstances. If allocations to municipalities are reduced, councils will need to compensate with property tax increases or local service reductions. OMPF reductions will have a big impact on local property tax rates.

For almost half of Ontario's municipal governments, a 1% property tax increase raises less than \$50,000.

OMPF reductions will only worsen economic imbalances between regions. Half of the Ontario population lives in municipalities with low or moderate fiscal capacity. The other half of the population live in communities with higher fiscal capacity but also with significant infrastructure needs for costly services like transit. OMPF reductions during this pandemic would exacerbate issues and be especially difficult for rural and northern areas.

Joint & Several Liability

For municipal governments, joint and several liability is creating higher insurance costs that divert property tax dollars away from delivering public services. Municipalities have been transformed into optimal litigation targets with the "deepest pockets" while others often escape responsibility. This has resulted in an all-too-common scenario that forces municipal governments to settle out-of-court for excessive amounts when their actual share of responsibility can be as low as 1%.

The combination of joint and several liability, a "hard" insurance market, and increased risks from COVID-19 have created an unprecedented insurance environment for local governments in Ontario. AMO is fielding concerns province-wide that indicate some municipalities are seeing insurance costs increase from 20% to as high as 90%. Furthermore, some municipal governments are struggling to even receive quotes within this environment.

The current situation has devolved into something untenable. **AMO strongly encourages the provincial government to seek practical solutions to ongoing concerns with joint and several liability (i.e., catastrophic injuries) following the government consultations initiated in 2019.**

Administrative Penalties for Red Light Cameras and Automated Speed Enforcement technologies

Residents and media stories have remarked on road safety and speeding issues during the lockdown. One way to ensure our roads are safer is to ensure drivers obey the speed limits set on local roads. Municipal governments appreciate the establishment of Ontario's Automated Speed Enforcement (ASE) regulations and technologies to efficiently enforce speed limits.

One way to make this program better **would be to allow Administrative Monetary Penalties (AMPs) for ASE and Red-Light Cameras** in line with school bus camera technologies. AMPs are faster to administer and safeguard court time. While municipal governments recognize that this should not become a significant revenue tool, drivers and residents must have confidence that enforcement and access to justice are efficient and effective to safeguard their communities and ensure there are consequences for those that choose to exceed speed limits.

Heads and Beds

Heads and beds is the payment in lieu of taxes that the province makes for facilities such as colleges, universities, hospitals, and prisons. This payment is made to the local municipalities and is commonly known as “heads and beds”. This levy is charged at \$75 per head/bed and has remained unchanged for over 30 years. If it had kept up with inflation it would be nearly \$140 today.

Municipal governments have long felt this payment to be insufficient to account for the fact that provincial facilities, while providing economic benefit, also place a burden of added wear and tear on local infrastructure, increased demand for public transit, policing, and EMS services and so on.

AMO calls on the provincial government to adjust the heads and beds formula for inflation.

Flood Mapping

Following the Ontario report from the Special Advisor on Flooding, AMO is encouraging the government to pursue the recommendation around hazard land mapping. This is an essential way to protect people and property, while avoiding potential long-term costs and liabilities. Flood mapping is a vital tool to prevent continued development in hazard areas. AMO supports risk-oriented funding put toward prevention which pales in comparison to the resources required after a flooding event has occurred.

Circular Economy

Increasingly, Ontarians are expressing their frustration surrounding waste, excess plastics, packaging, and litter. Consumers are also fed up and want to see their governments act. This is happening as multi-national companies are responding and making big commitments in both Europe and Canada.

As we know, the Federal government is proceeding with bans and policy directives on plastics, particularly single use items. The province should be applauded for its efforts to move toward full producer responsibility, and AMO believes that its time for the government to leverage the circular economy as a vehicle to help with fiscal recovery from the pandemic.

To that end, the Conference Board of Canada has noted that both recycling and diverting resources from disposal creates seven times more jobs than putting these items in a landfill.

Conclusion

Entering this year on the back of a difficult 2020, with the pandemic still in full gear, is challenging for Ontario. There is no shortage of issues to be managed in this unprecedented time. AMO will continue to provide our advice to the government around the critical role stable and healthy municipal governments play in our collective socio-economic recovery.

What is evident for the year ahead is the need to provide residents in Ontario and across Canada, with a continued intergovernmental response whereby the federal, provincial, and local governments work to ensure greater economic security, thoughtful policy solutions, and strategic investments that will allow us to manage this public health crisis and help vaccinate much of the population efficiently moving forward.