



Sent via e-mail: kkoch@ola.org

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Katch Koch
Clerk, Standing Committee on Finance and Economic Affairs
Room 1405, Whitney Block, Queen's Park
Toronto, ON M7A 1A2

Dear Mr. Koch:

On behalf of the Rural Ontario Municipal Association (ROMA), I am writing to convey our support for the Association of Municipalities of Ontario (AMO)'s 2016 Pre-Budget Submission, presented to the Standing Committee on Finance and Economic Affairs by AMO's president, Gary McNamara on January 19th. AMO's submission emphasizes important issues for all municipal governments. It outlines changes which would have significant benefit for municipalities at little or no cost to the Ontario government.

Many of the issues outlined by AMO are especially important for rural municipal governments: the Ontario Municipal Partnership Fund (OMPF), Interest Arbitration, Infrastructure, Prudent Investor Status and Power Dams. In addition, the issues of Energy Access and Costs, Broadband Internet Access and Rural Economic Growth are particular concerns of rural municipal governments.

Ontario Municipal Partnership Fund (OMPF)

OMPF is a major source of revenue for rural municipalities. Many small and rural municipalities have a very limited assessment base and no non-residential assessment, plus residents with low disposable household incomes. Total operating costs for local governments are also rising. In Rural Eastern Ontario, for example, operating costs rose dramatically in the 2000-2011 period by 65%, reaching \$1.84 billion, and total annual operating expenditures are projected to reach \$2.24 billion by 2020. Operating expenditures have grown faster than the region's household or population growth, at 11.3% and 13.5% respectively since 2000.

As OMPF has been reduced by \$91 million from 2012 to 2016, many rural and northern communities have been forced to raise property taxes or reduce services. We urge an increase to the OMPF of at least \$11 million in 2017 to reflect inflationary adjustment. ROMA supports the move towards formula-based funding allocation, with a minimum threshold for municipalities with no or little population growth.

Interest Arbitration

Emergency service costs have been increasing at three times the rate of inflation annually since 2002, significantly due to salary costs. Rural municipalities are especially affected by this increase given their smaller populations and limited tax base. In particular, the recent changes in police billing have resulted in costs rising by up to 36% or millions of dollars in some areas.

As AMO's submission outlines, new research has revealed that had police and fire personnel received the same economic adjustment as other municipal employees from 2010 to 2014, the cumulative savings would have been \$485 million. These extraordinary sums of money are the true cost of the failure to address needed interest arbitration changes. Salary adjustments must have a better correlation to capacity to pay and how other employee groups are treated. Rural communities cannot fund emergency services at the expense of other programs that also keep communities safe and strong.

Infrastructure – Roads and Bridges

Roads and bridges are the lifeline of rural and northern communities when transporting goods and services across Ontario. Ensuring these assets remain in good condition, however, comes at a significant cost. *The 2012 Roads and Bridges Review* by the Ministry of Transportation and AMO found that the infrastructure gap, per capita, for small municipalities in the north east and west regions of the province to be double that of central Ontario.

The deferred maintenance for roads and bridges, water, wastewater, stormwater, transit, conservation authorities and solid waste is \$5.9 billion in 2006 dollars. Additionally, given the limited resources of rural municipalities, the damage to infrastructure caused by extreme weather impacts, such as flooding, can be particularly costly.

AMO's Pre-Budget Submission emphasizes predictable funding. This is an important issue for ROMA. Every municipal government needs a better sense of what it can count on so that it can do the best possible infrastructure finance planning.

Prudent Investor Status

Municipalities should be allowed to invest in a broader range of investments based on 'prudent investor' principles according to the One Investment program. For small and rural municipalities with limited tax incomes, this could mean access to an important funding stream at no expense to the Province. Conservative estimates of this long-held municipal request approximate an additional \$10-20 million for the municipal sector. The eligible list of investors recognized in the *Municipal Act* regulation should also be expanded to include municipal associations such as LAS, AMO, MFOA, AMCTO and First Nations.

Power Dams

Many rural municipalities host power dams and have had provincial revenue to offset the tax exemption on the dams. In its 2014 Budget, the Province proposed cutting these payments by \$4.4 million over four years. This cut was deferred as the Province looks at options to restore municipal taxation. ROMA supports AMO's ask that the government fully abandon plans for any future claw backs and restore inflationary indexing.

Energy Costs and Access, Broadband Internet Access and Economic Growth are also major priorities for rural communities.

- High energy costs are impacting the viability of rural businesses and the ability for rural families to stay in their homes. Natural gas, which can be a much more affordable option, is only accessible to less than 20 per cent of rural residents due to distribution expansion constraints and regulatory requirements. In some northern and rural areas, liquid natural gas is the only option. Access to affordable, reliable energy is part of the foundation for our economy. ROMA urges the government to take actions to lower the costs.
- Broadband internet continues to be inaccessible in many rural areas. Reliable and high speed internet is crucial in rural communities and allows for innovation and cost savings in transportation, healthcare, community services and business practices. Ensuring widespread access is a major priority for rural municipalities.
- Rural municipalities also face unique challenges to economic growth. Inconsistent access and high rates of energy and reliable internet hinder business investment. Larger populations of older residents and higher rates of out-migration indicate a need to attract immigrants and younger workers. Investment in key industries including forest management and agri-food industries, which are central to many rural economies, would have significant positive spin-off economic impacts. Funding for capacity building, economic development and innovation would also lead to important benefits in rural economies.

ROMA asks that the Standing Committee on Finance and Economic Affairs consider the recommendations we have highlighted. Addressing these issues would be an important step in ensuring rural municipal governments continue to be viable and in working together towards a sustainable future.

Yours sincerely,



Ron Holman
ROMA Chair