



# ROMA's 2017 Pre-Budget Submission

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Submission to the Standing Committee on Finance and  
Economic Affairs

January 26, 2017

## **Introduction**

The Rural Ontario Municipal Association (ROMA) brings a rural lens to all policy and programming decisions that impact rural municipal governments. Rural municipal capacity is directly connected to the policy context that the province establishes. ROMA, through the rural caucus of the Association of Municipality of Ontario (AMO) supports the "What's Next Ontario" initiative explained in the AMO pre-budget submission. This submission will apply a rural lens to that work.

## **Ontarians focused on local needs**

While there will always be economic mega projects, local businesses, local infrastructure and municipal services are the foundation for rural community vibrancy. Good public services and reliable infrastructure; these are the core expectations of government expressed by Ontarians. Province-wide polling conducted by AMO in 2016 highlights some of those views:

- 90% agree or strongly agree that maintaining safe infrastructure is an important priority for their community;
- 89% agree that the services municipalities provide are important to their daily lives; and
- 76% are concerned or somewhat concerned that current local property taxes will not cover the future cost of infrastructure.

In other words, Ontarians see infrastructure as both a problem and a priority. These opinions point to the fundamental need for a plan to pay for local priorities, to address deferred capital and maintenance needs, and to build for the future.

## **Past Progress**

In 2008, fiscal relations between the Province and municipal governments were modernized through the upload agreement known as the Provincial-Municipal Fiscal and Service Delivery Review. In return for the upload of key social assistance and court security costs, valued at \$1.9 billion in 2017, municipal governments

committed to try and make up for lost time by increasing investments in infrastructure. And this indeed has been achieved, on average \$2 Billion per year.

### Quick Facts:

- 2003-2008: municipal own source spending on infrastructure, including debt, averaged \$4 billion per year.
- 2008-2013, municipal own source spending averaged \$6 billion per year.

Your government's decision in 2014 to establish a multi-year plan dedicated to provincial and municipal infrastructure outside the Greater Toronto and Hamilton Area (GTHA) created the necessary environment for long term planning. The enhancement of this plan in 2016 to \$15 billion demonstrates an ongoing capital commitment which rural municipal governments applaud and look forward to receiving as it rolls out.

### Rural Challenges

The decline in unconditional operating grants through the Ontario Municipal Partnership Fund (OMPF) had a significant negative impact on rural municipalities. While it is understood that this was part of a larger shift in responsibilities, rural municipalities have had to delay much needed work to work within very tight budgets. An inflationary increase needs to be added to the OMPF this year.

Social Housing: This service is still the responsibility of municipal governments – upper tiers, some single tiers, and District Social Service Administration Boards in the north. Rural and urban work together on this service for the most part.

### Quick Facts:

- Municipalities still face a \$1.5 billion repair backlog in the social housing portfolio.
- To extend social housing supply to just a third of those on the waiting list, is a further \$8 billion capital challenge.

The provincial government must once again become a more active funding partner of social housing in Ontario.

Interest Arbitration: Unconstrained wage increases are eroding rural governments ability to act. The current tilt in the interest arbitration process need to be rectified.

Quick Fact:

- If fire and police had received the same increase that other municipal unions did between 2010 and 2014, it would have meant \$485 million in savings to municipal governments.
- To cover recent wage awards to OPP property taxes have had to increase between 2 - 4% each year.
- This money could have built about 1750 kilometres of road - that's a road from Essex County to Montreal and back.

Priority should be to design future grants and direct Ministry spending in ways that support good civilian governance and policing modernization.

Modernizing Police Service: Municipal governments and property taxpayers, the primary funders of police services, are not being fully considered in meaningful ways. The lingering issue of property counts in OPP billing methodology creates an added level of financial uncertainty for over 300 rural municipalities.

Quick Fact:

- Ontarians pay the highest policing costs in the country. This includes both provincial and municipal expenditures.
- In 2014-2015, Ontarians spent \$347 per capita on policing. It is at least \$40 more than Albertans and Quebecers and, \$58 more than British Columbians.
- Since 2011, costs have increased by \$2 per capita in British Columbia, by \$5 per capita in Alberta and Quebec, and by \$27 per capita here in Ontario.

- In 2014, 32% support police and fire personnel having the same wage and benefit increases as other employees of the same municipality. By 2016, that number had increased to 41%.
- In both 2014 and 2016, over a quarter of the population supported a wage freeze for police and fire personnel.

High Speed Internet Access: To foster economic development, quality education and efficient public services, access to high speed Internet is not optional but the foundation. While significant strides have been made, particularly now that the federal government has committed funding to expand broadband into rural areas, additional supports are required. The province needs to engage more on this issue.

Administrative Burden/Red Tape: Rural municipal governments run lean organizations. This reflects the nature of our own revenue source limitations. Government programs and reporting requirements need to also reflect these funding limitations by simplifying applications and reporting requirements that are respectful of our limited and stretched capacity.

Program and Policy Design: Once size does not fit all, there are many kinds of rural municipal government and many varieties of local economy. Programs and policies must be flexible and adaptive. They need to allow for collaborations between municipal governments and other entities and they need to support diversity.

### **Long-term expenditure needs**

AMO is looking at municipal expenditure needs over the 10-year period – 2016 to 2025. These numbers include the entire municipal sector in Ontario, all 444 municipal governments, including the City of Toronto.

Municipal **operating** costs are growing at \$1 billion annually. If councils keep doing what they have been doing, and assuming no new mandates, what takes \$40 billion a year in 2015 to deliver municipal services, will take \$50 billion a year by 2025.

Infrastructure and capital costs are in addition in the amount of \$6 Billion by 2025. It would keep what we have in a state of good repair and provides for what we will need to spend on roads and bridges, to treat water and wastewater, manage storm water, build transit, and dispose of solid waste.

## **Long-term revenue problem**

If that is the expenditure picture for the next 10 years, how can municipal governments pay for this using existing revenue sources – property taxes, user fees, fines, charges, and transfers from senior governments.

Beyond 2015, the average annual contribution for the next ten years breaks down this way if current contributions are increased by the amount of inflation:

- \$2.9 billion from municipal property tax and user fee increases,
- \$2.7 billion from the provincial government, and
- \$2.6 billion from the federal government.

**The remaining gap is \$4.9 billion.**

### **Revenue risks for municipalities**

All of this underscores the inherent vulnerability municipalities face when it comes to financing the future at a local level. Any fluctuation in provincial or federal transfers, either up or down, will either help or hinder, contribute to, or take away from, the future of Ontario communities.

As rural municipalities tend to have shrinking and older populations, these fiscal pressures are of paramount importance.

Municipal governments have no control over transfers from the other governments. Only through advocacy can there be any hope that new mandates come with new revenues. ROMA joins AMO in the request that the province's current municipal infrastructure spending plan be retained intact. Any move to back-end the existing 10-year investment plan would considerably delay closing the gap. Such a move would be to the detriment of local communities.

Municipalities have responsibility for both the capital costs and the operating costs of all municipal infrastructure. These operating dollars are a pressure locally. This is why the provincial government should keep the provincial 1/3

contribution for cost-shared infrastructure funding, even if the federal government contributes a greater amount. Recognition for these municipal operating costs helps to keep infrastructure affordable for communities across Ontario.

### **Property tax limits**

So if municipal governments are limited to current revenue tools – what happens as the fiscal gap widens? Municipal council members are genuinely at wits end as they try to meet the ever growing amounts required to meet provincial requirements from a mostly residential tax base.

To bridge this gap with property tax and user fee increases, that could exceed 8% each year for ten years. Let's not forget, Ontarians already pay the highest property taxes in the country.

### **New revenue**

This raises the need for new revenue to address the problem. As a matter of principle, all municipal governments should have the same authority, and councils can determine if any of these tools are the right fit locally. This includes the existing City of Toronto Act special revenue tools which only the City of Toronto can use. They include: land transfer tax, parking tax, billboards, motor vehicle ownership, alcohol, tobacco, and entertainment. Clearly some of these tools apply more to urban than rural governments, none the less options are needed by all as a matter of equity. What is your response to the 270 plus rural municipal governments grappling with fiscal sustainability?

From large to small, from urban, rural, or northern, from growing, stable or fiscally challenged municipalities; in one way or another, every community faces different versions of the same test – providing services and programs for the future. Having a 19th century revenue tool kit, to deliver 21st century services, is not a successful recipe for the future.

Municipal governments from all corners of the province will be looking to the 2017 Provincial Budget to signal provincial interest in addressing the long-term financial needs of the entire municipal sector, through a bolder revenue framework developed together.