



Staff Report to Council - for Direction

Title: AMO's Social and Economic Prosperity Review

From: Aaron Stauch, Director Government Relations

Date: April 18, 2024

Staff Recommendation:

That Council endorses the Association of Municipalities of Ontario call for a Social and Economic Prosperity Review.

Report Summary:

This report provides an overview of Association of Municipalities of Ontario call for a Social and Economic Prosperity Review, as well as an overview of the local pressures faced by Bruce County.

Background:

Through its pre-budget submission to the provincial government the Association of Municipalities of Ontario (AMO) called for a Social and Economic Prosperity Review to address the financial challenges faced by municipalities. The full submission is attached to this report. The following provides a summary and shows the impact of the current municipal funding model for Bruce County. AMO and the report notes the following key observations:

- The downloading to municipalities that happened in the 1990s, in the context of growth and inflation, has become fiscally unsustainable.
- The province has addressed these challenges with new financial arrangement for both the Cities of Toronto and Ottawa but has not looked to conduct broader review.
- The revenue tools available to municipalities (i.e., property tax) do not grow with the economy or inflation, unlike income or sales tax.
- Nearly one third of municipal annual expenditures are aligned to services that fall under provincial jurisdiction in other provinces.
- Bill 23 fundamentally undermined municipal tools to finance growth.
- As the level of government closest to the electorate, municipalities are often left addressing shortfalls in funding for hospitals, social assistance, housing, long-term care, public health, planning, and other aspect of the social safety net.

- Overall, the province has maintained a healthy financial position, with lowest per capita spending of all provinces. While Ontario has the second highest property tax rates across Canada.

The recent provincial budget is encouraging news for municipalities. The province has committed to avoiding further downloading and has establish infrastructure funding to support housing growth. However, it stops short of looking at systematic review of the funding relationship between the province and municipalities. Over 100 municipalities have passed resolutions in support of the call for the Social and Economic Prosperity Review.

To support Council’s consideration of this report we have prepared a series of charts that match those presented by AMO in the pre-budget submission, with Bruce County specific numbers.

Table 1 below outlines Bruce County’s sources of funding and compares them to the numbers put forward in the AMO report. As can be seen we are more reliant than average on property taxes, and we also get a larger provincial grant, in part, because of our role as a Consolidated Municipal Service Manager (CMSM).

Table 1: Municipal Review Sources (2022)

Source	Bruce County Dollars	Bruce County Percent	Provincial Average
Property Tax	\$65,155,715	46.9%	39.5%
User Fees	\$10,311,992	7.4%	18%
Other Revenues	\$5,661,632	4.1%	11.5%
Provincial Grants	\$52,836,109	38.0%	18.7%
Federal Grants	\$5,002,861	3.6%	4.3%

While we receive a larger provincial grant than average, this comes with the CMSM responsibilities of delivering housing, health services, and social services. Bruce County subsidizes these areas of provincial responsibility significantly. The municipal expenditure and provincial grant are outlined in Table 2. In addition to these areas Bruce County also provides significant funding for Long-Term Care and Public Health.

Table 2: Investments in Areas of Provincial Responsibility

Area	Municipal Expenditure (2022)	Provincial Grant (2022)
Housing	\$11,912,015	\$2,837,661
Health Services	\$16,981,413	\$7,992,230
Social Services	\$53,887,297	\$34,324,453

The province typically doesn’t provide upfront capital funding for infrastructure related to downloaded services, such as Paramedic Services (e.g., new Paramedic Headquarters), housing builds like Penetangore Place or Long-Term Care expansions/builds. Consequently, municipalities must cover these costs themselves, often resorting to cashflow or financing. This is at least partially why we continue to see funding request from local hospital

foundations. Further, only a small fraction of the expected annual replacement costs - roughly 10% - is covered by sustainable provincial funding. Moreover, the reporting requirement introduced under O. Reg. 588/17 prioritizes infrastructure data inventory management over the completion of essential projects. As a result, funds are redirected away from capital works, exacerbating the challenges faced by municipalities.

The AMO pre-budget submission outlines the impact of Bill 23. It is difficult to fully quantify the impact of Bill 23 on Bruce County for several reasons: we did not have housing targets assigned; and we did not have development charges in place when the Bill was enacted. However, Bill 23 is estimated to cost the County approximately \$2.3 million over ten years. This is based on the 2021 Development Charge study indicating up to 47% of the loan payment on a new housing build would be Development Charge eligible. Bill 23 removed this eligibility. There are also costs associated with the move of natural heritage planning from conservation authorities to the County.

Finally, AMO's pre-budget submission outlines the fraying social safety net in Ontario. The province has not adequately addressed the needs of the housing and homelessness, and social assistance systems across the province. In Bruce County between 2023 and 2024 we have seen a 22% increase in the cost to provide service to those experiencing homelessness. AMO is asking that municipalities support their call for Social and Economic Prosperity Review through a Council Motion (a draft example is attached to this report). Alternatively, AMO has provided a letter template (attached) that Councils can send to their Members of Provincial Parliament. AMO has also provided news release and social media templates that can be used to show our support for this call.

Financial/Staffing/Legal/IT Considerations:

There are no financial, staffing, legal or IT consideration associated with this report.

Interdepartmental Consultation:

Government Relations consulted with Corporate Services, Human Services, and the Community Development Office in preparing this report.

Link to Strategic Goals and Objectives:

Strategic Goals

Growth & Innovation: Goal 4: Promote Responsible Growth

Link to Departmental Plan Goals and Objectives, if any:

Not applicable.

Report Author:

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Departmental Approval:

Aaron Stauch, Director, Government Relations

Approved for Submission:

Sean Morphy, Deputy Chief Administrative Officer