



AMCTO
THE MUNICIPAL EXPERTS



Local Government Priorities for the 2020 Budget

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Recommendations



- › Invest in Municipal Internships
- › Reduce the Burden on Municipalities
- › Promote Municipal Fiscal Sustainability



The 2020 budget comes at an important time for Ontario's municipal sector. Across the province, local governments are confronted with ongoing challenges to meet the complex demands of a well-served and vibrant municipality. At the same time, steady urbanization, demographic transformation, climate change and globalization are dramatically transforming the makeup and expectations of Ontarians. In response, many municipalities are adapting by moving to citizen-centered services, regional cooperation agreements, enhanced consultation and outreach, and becoming smart cities. Yet, challenges remain.

Over the past 150 years, Ontario's municipal governments have grown to become more sophisticated and deeply enmeshed in the everyday lives of their citizens. In turn, citizens

believe that municipalities are the level of government best suited to understand local challenges, find local solutions, improve quality of life, and plan for the future (FCM and Abacus Data, 2019).

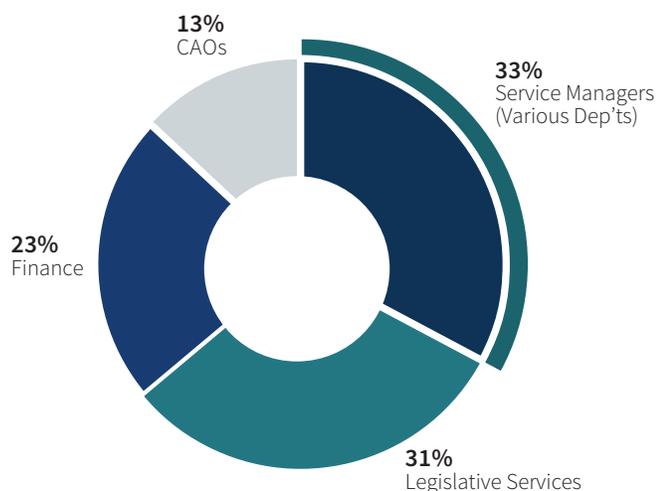
Even with a growing list of responsibilities placed on local governments, federal issues still tend to dominate most discussions about intergovernmental affairs. For example, equalization and sovereignty are prioritized at the expense of critical day-to-day services, such as policing, local planning, social welfare, and transit. Policy solutions for these issues require consultation with local governments who have the best access to local information and who are better positioned to respond to local needs (Cote and Fenn, 2014, 20).

Policy Advice for a Stronger Ontario

As the province's largest voluntary association of municipal professionals, AMCTO members are on the front line of local government policy and management (see chart 1). Our members are the leaders who provide advice and develop solutions to some of Ontario's most burdensome and challenging problems.

The recommendations contained in this submission reflect knowledge and advice that will make Ontario's communities more efficient, safer, and stronger.

Chart 1: AMCTO Membership Breakdown



Source: AMCTO



Principles for an Effective Provincial-Municipal Relationship

The relationship between the province and its municipalities is especially important for local government professionals. Often referred to as “creatures of the province”, municipal governments are affected by almost every aspect of provincial legislation and associated regulations.

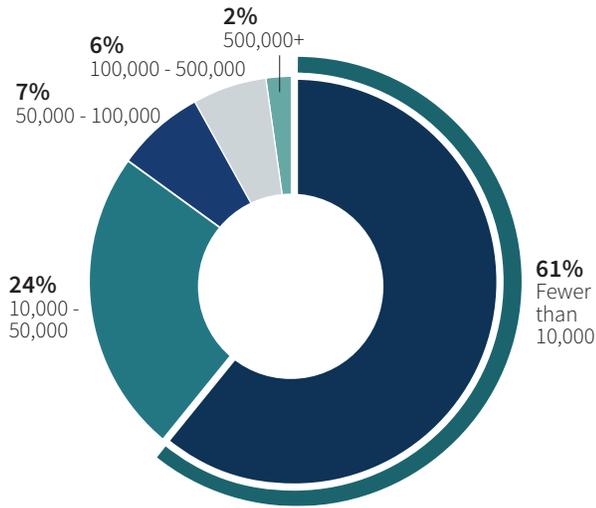
Given this, any discussions about improving governance at the local level must begin with principles for maintaining a strong provincial-municipal relationship.

The provincial legislative approach of “one size fits all” fails to account for the differences in challenges and strengths of each local government. Diversity among Ontario's municipalities can be found in rural vs. urban, small vs. large, and north vs. south. Ontario's counties, for example, often fear that solutions designed for urban areas do not always apply the same way to rural areas. The urban and rural divide is also

believed to be worsening as it usually means less services for rural communities, especially in the areas of mental health, addictions and supportive housing (Matheson et al., 2019, 48). This approach to provincial-municipal relations often creates perverse outcomes that would not be tolerated in other sectors. For example, policy makers at the federal and provincial level have worked to ensure that small businesses are regulated differently from large corporations. Yet in the municipal sector, the same measures are applied to the Township of Cockburn Island and its two residents as they are to the City of Hamilton.

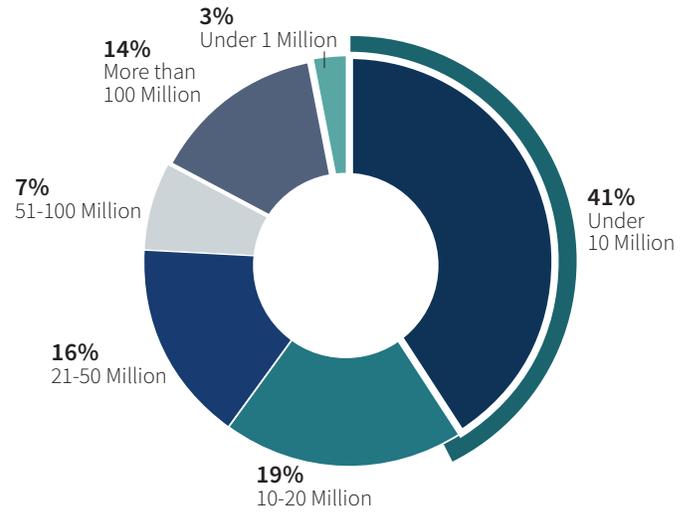
Given the range of responsibilities municipal governments hold, a more thoughtful and outcome-oriented policy approach from the province is needed in order to help create local success (see table 1).

Chart 2: Percentage of Ontario Municipalities by Population Size



Source: Ministry of Municipal Affairs and Housing, Financial Information Returns, 2018

Chart 3: Percentage of Ontario Municipalities by Revenue Size



Source: Ministry of Municipal Affairs and Housing, Financial Information Returns, 2018

Table 1: Federal-Provincial-Municipal Division of Responsibilities

MUNICIPAL GOVERNMENT	PROVINCIAL GOVERNMENT	FEDERAL GOVERNMENT
<ul style="list-style-type: none"> • Airports • Animal Control • Building Code • By-law Enforcement • Arts and Culture • Cemeteries • Children's Services • Economic Development • Fire Services • Garbage Collection and Recycling • Electric Utilities • Library Services • Long Term Care and Senior Housing • Road Maintenance • Paramedics • Parks and Recreation • Public Transit • Planning • Police Services • Property Assessment • Public Health • Social Housing • Social Services • Tourism • Water and Sewage 	<ul style="list-style-type: none"> • Administration of Justice • Education • Hospitals • Natural Resources and the Environment • Property and Civil Rights • Social Services • Provincial Highways • Culture and Tourism • Prisons • Post-Secondary Education 	<ul style="list-style-type: none"> • Citizenship • Criminal Law • Copyright • Employment Insurance • Foreign Policy • Money and Banking • National Defence • Trade and Commerce • Post Office

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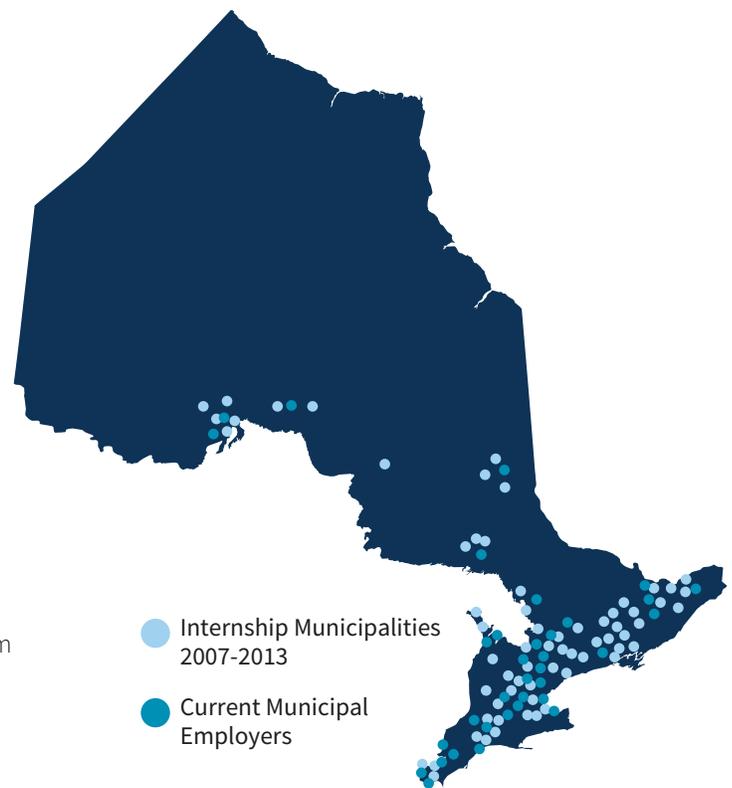
Invest in Municipal Internships

Ontario is strengthened by investing in the leadership capacity of its local governments. A strong community holds the ability to attract and retain high caliber leaders that not only manage and deliver core public services but also lay the groundwork for future growth and prosperity. Be it safe roads, clean drinking water, or attracting investment and jobs, it is essential to ensure future government leaders are recruited and developed professionally.

Unfortunately, not all communities are able to successfully recruit top talent with Ontario's size, geography, awareness and constraints around labour market mobility posing significant barriers to effective talent attraction.

Fortunately, Ontario has a strong track record of support for robust internship experiences in local governments. Most recently, the AMCTO Municipal Management Internship Program (2008-2015) – with its cost-sharing investment placed over 80 interns for year-long opportunities across the province. This program delivered a boost in regional talent with alumni now representing a driving force in today's local government sector.

Chart 4: Geographical coverage of the 2008-2015 AMCTO Internship Program



“It’s no exaggeration for me to say that I wouldn’t be where I am today without the Municipal Management Internship Program”

– Karen Martin, Director of Corporate Services, Township of Zorra

AMCTO Internship Program Outcomes



After 2015

72%

of interns held leadership roles within rural and northern municipalities



By 2015, applicant interest increased

650%

and municipality interest grew

450%

15%

of communities funded by the program chose to self-fund an intern the following year



100%

of interns were under **30 years** of age



By 2015, interns covered over

25%

of Ontario's **444 municipalities**

Source: AMCTO, *Municipal Management Internship Program Evaluation Report, 2015*



A reinvestment in the Municipal Management Internship Program will deliver:

- ✓ Job creation and succession planning for local governments across Ontario
- ✓ A boost in northern and rural attraction for top talent
- ✓ Enable communities to protect public services/assets and provide future stewardship for their communities



Reduce the Burden on Municipalities

In 2017, AMCTO published *Bearing the Burden: An Overview of Municipal Reporting to the Province* in order to shed light on the sizeable reporting burden facing Ontario's municipalities. Findings conservatively estimated that the province can require a municipality to complete as many as 422 reports every year – this is 225 separate reports, collected monthly, quarterly, biannually and annually.

Following the cross-ministry reporting burden initiative led by the Ministry of Municipal Affairs and Housing in 2019, the government announced that a total of 94 reports had been eliminated and 27 reports had been consolidated and simplified.

AMCTO encourages the government to release the list of reduced reports and establish a comprehensive inventory of provincially required reporting to ensure the government and municipal sector does not fall back into a similar reporting trap.

With a provincial focus on burden reduction beyond reporting, the government should engage AMCTO and municipal partners to tackle areas of significant burden that are detrimental to local government administration and service delivery. Improvements will help ensure movement towards enhancing the efficiency of local governments across Ontario.

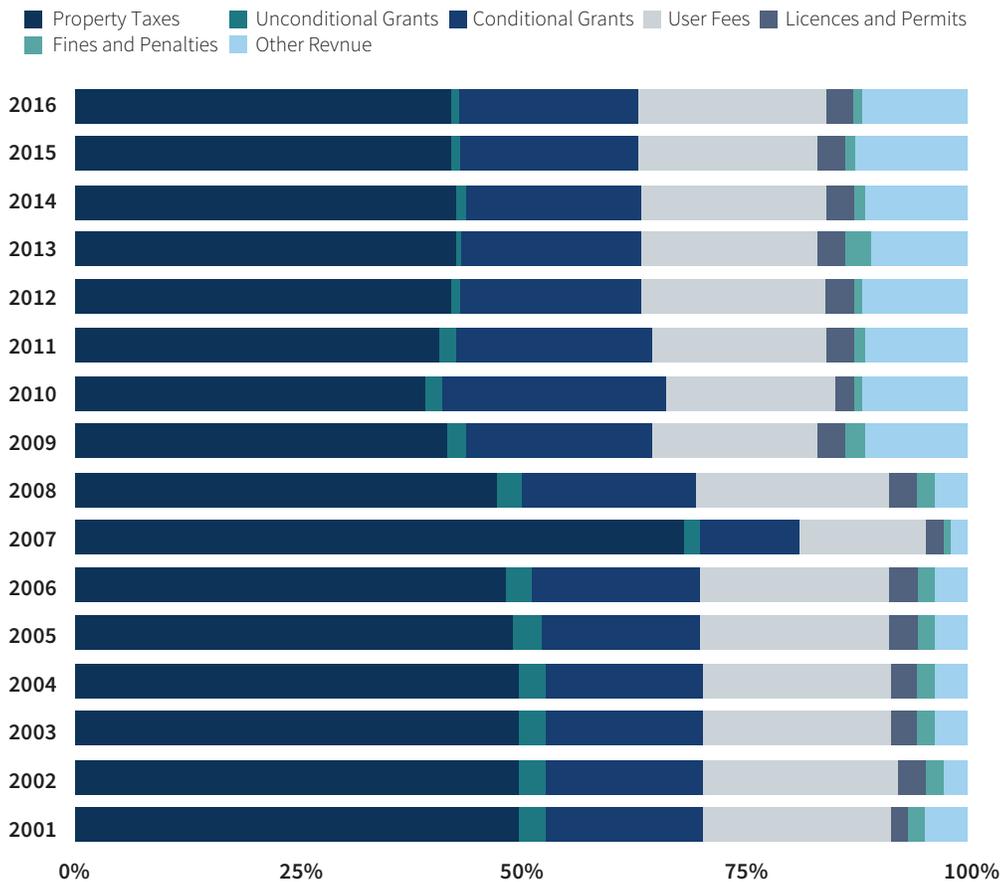
Promote Municipal Fiscal Sustainability

Allow Municipalities Access to Greater Revenue Tools:

The largest source of revenue for Ontario municipalities is property taxes (see chart 5) and Ontarians continue to pay for local services in roughly the same manner they did a century ago (Kitchen, Snid, and Hachard, 2019, 2). Among advanced economies, Canadian local governments are an outlier in their reliance on property taxes to fund municipal operations (see chart 6) and Ontario may be one of the most restrictive provinces when it comes to revenue tools that are

made available to them (Toneguzzi, 2019, 13). The current system is not sustainable for many reasons, including the fact that many smaller rural and northern municipalities have small assessment bases which limit their capacity to raise property taxes (AMO, 2017, 6). The province should begin to provide municipalities with access to new revenue tools to allow local governments to effectively attend to their many responsibilities and to efficiently serve the people of Ontario.

Chart 5: Sources of Municipal Revenue, 2016

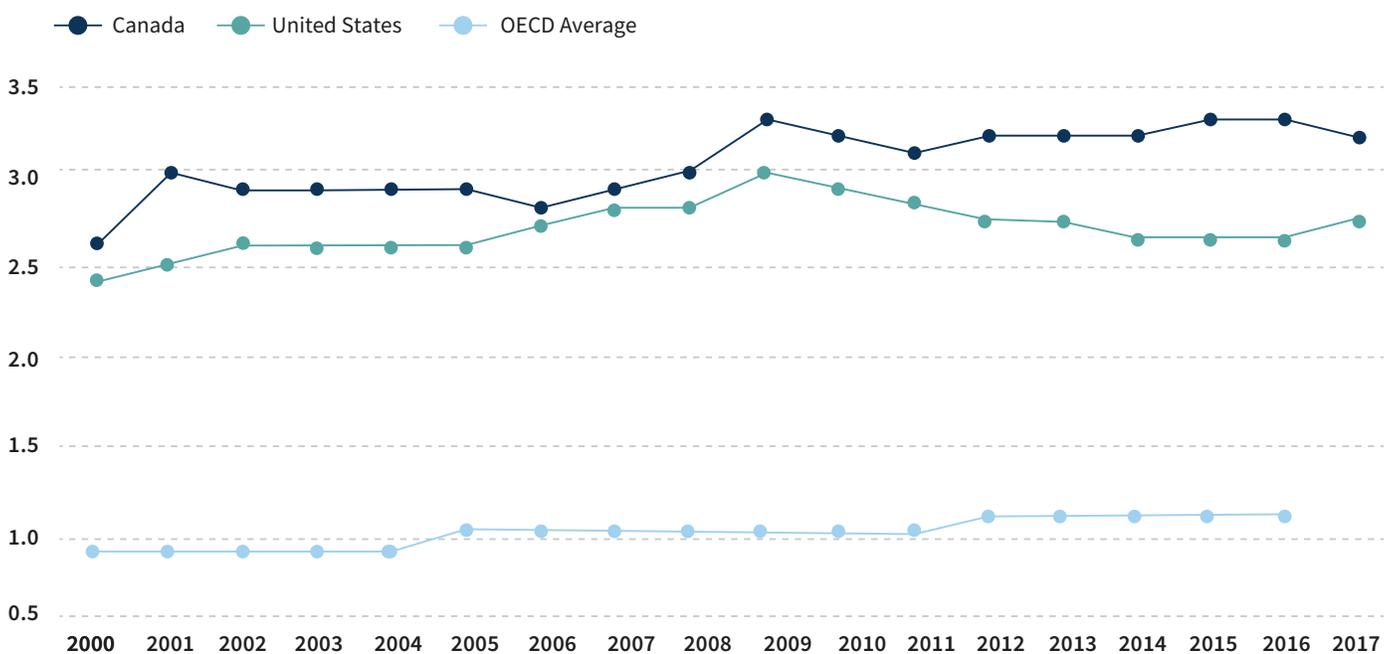


“Demands to make expenditures have certainly increased, but at the same time, the revenues haven’t changed very much.”

– Enid Slack, Director, Institute on Municipal Finance and Governance

Source: Ministry of Municipal Affairs, Financial Information Returns, 2017

Chart 6: Property Tax Revenues of Local Governments as a Share of GDP (2000-17, in percent) out of OECD Countries



Source: OECD, Revenue Statistics - OECD Countries, Comparative Table, 2018

Recommendations

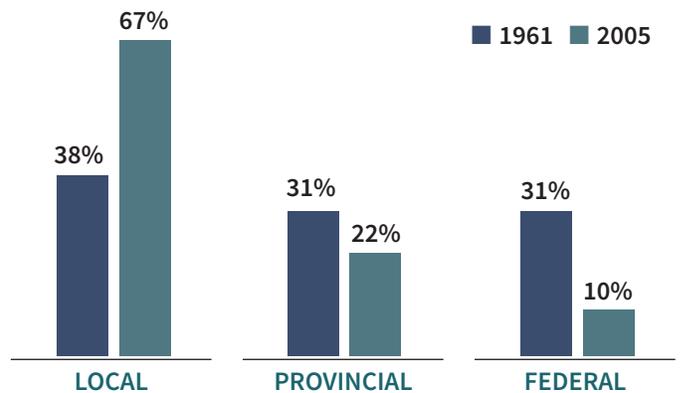
Increase the Annual Escalator of the Federal Gas Tax Fund to 3.5%:

The federal government's gas tax fund to municipalities currently increases annually by two percent towards infrastructure investment. While 2% increase is a start, it is not sufficient to address the immense infrastructure gap in Ontario that is largely the result of significant downloading of asset ownership to the local level over several decades (see chart 7). The Association of Municipalities of Ontario has calculated that for municipalities to confront the \$60 billion-dollar infrastructure gap, while also maintaining current service levels, they would have to increase property taxes by 8.35% every year for the next ten years (AMO 2017, 5). By increasing the annual escalator, municipalities' will have greater flexibility to meet current local demands, as well as adapt to the changes in the future. For example, a \$5.3 billion investment will be required nationally to adapt to climate change as Ontario will feel impacts through intense rainfall, ice and windstorms and heatwaves, which will cause significant damage to the province's critical infrastructure (FCM and IBC, 2019, 4). We encourage the government to stand in support of the Federation of Canadian Municipalities calls to increase the annual escalator to 3.5%.

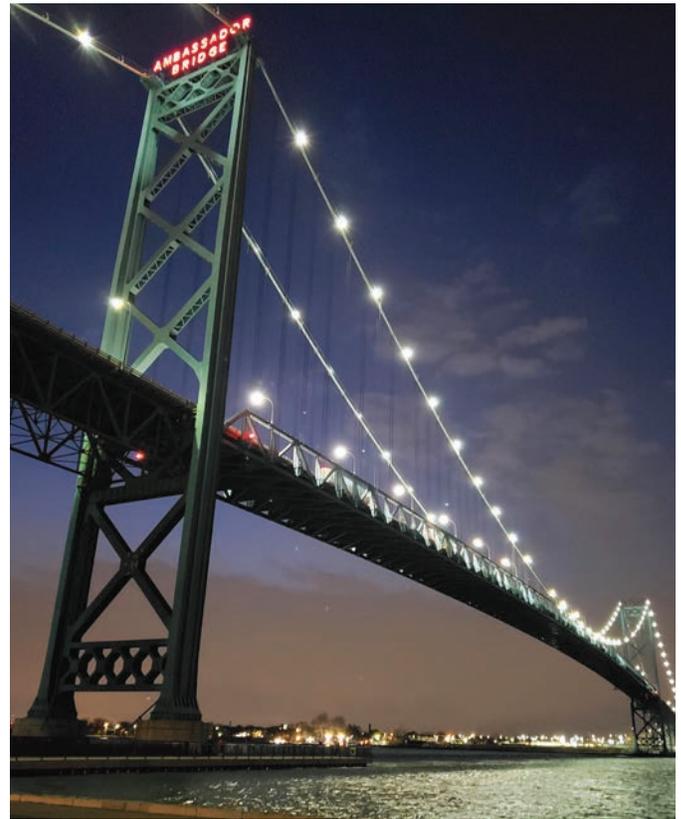
Protect Municipal Transfer Payments: Municipalities across Ontario are facing a challenging fiscal situation whereby significant downloading over time has resulted in an increasingly complex and costly set of services being offered and administered locally. As a result, it has been challenging for many communities to finance a growing list of services for their citizens. This is especially the case for rural and northern Ontario where there are often communities that are low or non-growth making them increasingly dependent on transfer payments.

Any reductions, no matter how small or large, can be severely damaging to the municipalities who rely on it to service their respective communities. Achieving the province's fiscal goals should not be done at the expense of the fiscal sustainability of Ontario's local governments.

Chart 7: Federal, Provincial and Municipal Asset Ownership 1961-2005



Source: Association of Municipalities Ontario (AMO), *What's Next Ontario? Imagining a Prosperous Future for our Communities*, 2015, 23



“There is widespread agreement that municipalities do not have sufficient revenue resources to meet their growing expenditure responsibilities.”

– Standing Senate Committee on National Finance



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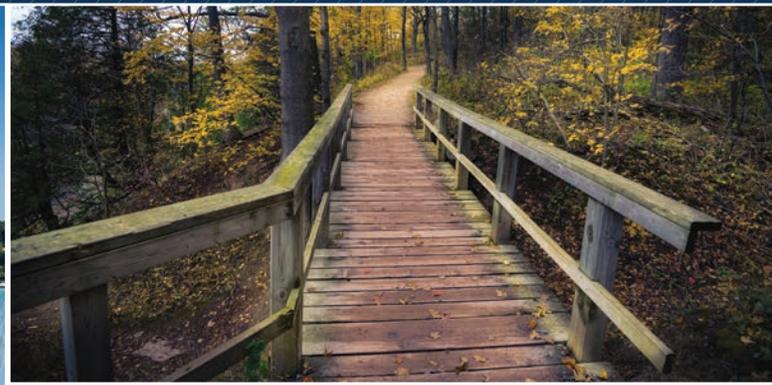
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AMCTO represents excellence in local government management and leadership. AMCTO has provided education, accreditation, leadership and implementation expertise for Ontario's municipal professionals for over 80 years.

With approximately 2,200 members working in municipalities across Ontario, AMCTO is Ontario's largest voluntary association of local government professionals, and the leading professional development organization for municipal professionals.

Our mission is to provide professional development, engagement opportunities, advocacy and leadership in the sector, which strengthens and supports the capabilities and performance of municipal professionals.

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