



Eastern Ontario Wardens' Caucus

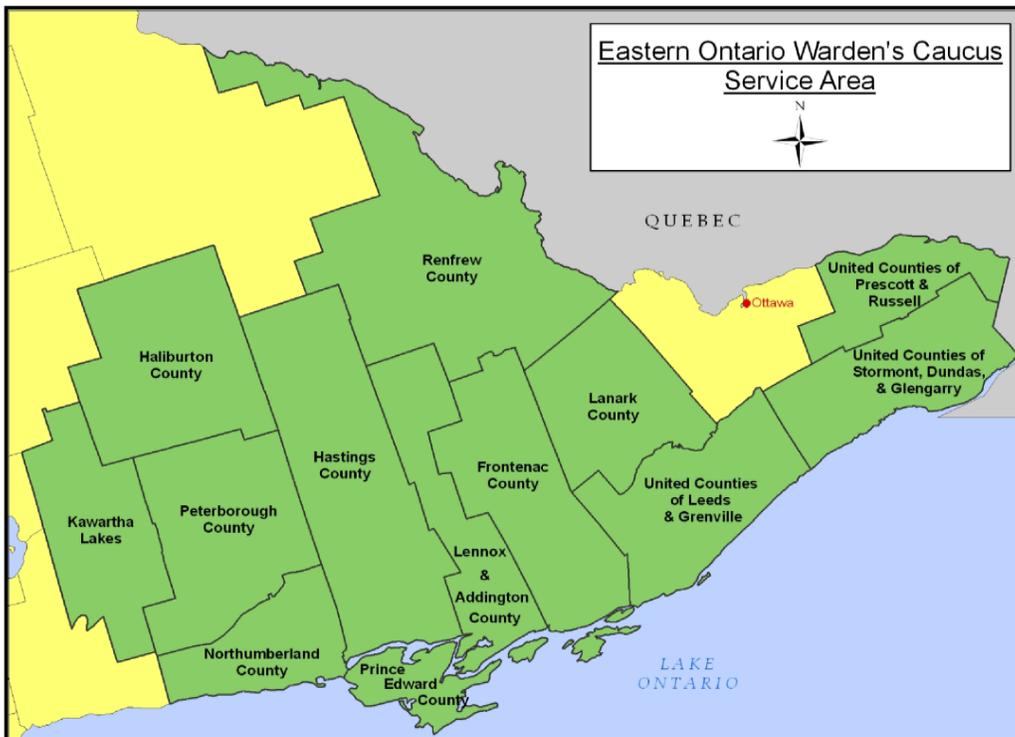
www.eowc.org

Submission to the Standing Committee on
Finance and Economic Affairs

February 15, 2017

The Eastern Ontario Wardens' Caucus (EOWC) Inc. is an incorporated not-for-profit organization comprised of the heads of Council of eleven (11) Counties and two (2) single-tier municipalities in Eastern Ontario, including:

- County of Frontenac
- County of Haliburton
- County of Hastings
- City of Kawartha Lakes
- County of Lanark
- United Counties of Leeds and Grenville
- County of Lennox and Addington
- County of Northumberland
- County of Peterborough
- United Counties of Prescott and Russell
- County of Prince Edward
- County of Renfrew
- United Counties of Stormont, Dundas and Glengarry



The Honourable Charles Sousa
Minister of Finance
7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto, Ontario M7A 1Y7

Dear Minister Sousa,

As it has done since its inception, the Eastern Ontario Wardens' Caucus (EOWC) continues to develop extensive research and advocacy regarding the financial sustainability of rural Eastern Ontario's municipalities. This research confirms that rural ratepayers and businesses across the region continue to be challenged to pay the costs of vital municipal services, and also require assistance from the province in terms of hydroelectricity costs, the extension of natural gas services and the improvement of mobile broadband services. The local municipal sector is also at a crossroads in terms of financial sustainability, and has difficulty paying the ever-increasing costs of municipal services – including but not limited to roads, bridges, social housing, long-term care facilities, and land ambulance – vis-à-vis a relatively small and widely dispersed population.

Rural Eastern Ontario is financially disadvantaged, as compared to the provincial average, on virtually every measure, including lower average and personal median incomes and household incomes, lower reliance on employment income, and higher reliance on government transfers. Population and household growth projections for the region are modest, with the proportion of elderly citizens well above the provincial average (18% compared to 15%).

In presenting this submission to the Ministry of Finance, the EOWC is seeking to maintain its open dialogue and positive working relationship with its provincial partners. Through past efforts together, municipalities and the provincial government have succeeded in finding solutions that benefit both sectors – and ultimately, improving conditions for the residents and businesses across our region. As financial circumstances and budgets continue to be tightened, rural municipal governments will require more active support in stimulating growth and employment and, in turn, the regional tax base. At the same time, the EOWC reiterates its request that the Province continue its efforts to contain the growth in costs for service delivery.

The recommendations in this suggestion involve contributions from both the EOWC member municipalities and the Province of Ontario, and as always, are likely to be most successful if pursued in partnership. Let us collectively move forward, in the best interests of all our residents.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Quaiff". The signature is fluid and cursive, written in a professional style.

Mayor Robert Quaiff
Chair, 2017, Eastern Ontario Wardens' Caucus

Municipal Infrastructure: Municipalities in Rural Eastern Ontario manage nearly \$9 billion in assets, of which \$5 billion is for transportation services such as roads and bridges. In 2011, the EOWC estimated the region's capital infrastructure deficit at \$3.74 billion, with \$3 billion of this related to roads and bridges.

Rural municipalities are also responsible for 75% of the region's roads (69,000 lane-kilometres) in addition to 5,000 bridges and large culverts. The associated capital infrastructure deficit is \$2.48 billion for roads and \$526 million for bridges.

In order to maintain their assets, municipalities would need to finance an additional \$638 million a year in capital expenditures. An EOWC research paper in 2012 revealed that that none of the three financing mechanisms for addressing infrastructure needs (debt, property taxes, or reserves) is a sustainable option. Both debt capacity and reserves would be exhausted in two years.

The EOWC also provided a formal submission in 2015 as part of the Province's consultation on government infrastructure funding outside of the GTHA, in which it again identified justifiable needs of \$3.7 billion for rural Eastern Ontario.

The EOWC recognizes and is appreciative of the Province's phased-in increases to the Ontario Community Infrastructure Fund (OCIF), with formula funding growing to \$200 million annually and application funding to \$100 million annually by 2018-19. The EOWC has consistently advocated for such increases as well as the implementation of a permanent, predictable, non-competitive infrastructure fund designed specifically for small and rural areas.

With respect to the Province's recent announcement to increase provincial gas tax funding for transit projects in 2019, the EOWC wishes to reiterate that municipalities in rural Ontario – without public transit systems – have different infrastructure pressures for their roads and bridges that also must be addressed in order to keep the rest of Ontario moving.

The Rural Ontario Municipal Association (ROMA) notes that rural municipalities face an infrastructure gap for roads and bridges of about \$468 per person – an amount double that which exists in small and large urban municipalities with populations greater than 100,000. With lower incomes, older populations and limited property taxes, rural communities have fewer options to raise revenue to address this growing gap.

Cellular network improvement project: Through the leadership of the Eastern Ontario Regional Network (EORN), which was instrumental in bringing broadband high-speed internet to 95% of rural Eastern Ontario, the EOWC is now advocating for a joint public-private project that would close the many cellular network and mobile broadband gaps that exist across the region.

A formal business plan has been presented to both the federal and provincial levels of government, which also includes a proposal for a dedicated, secure network for first responders. The total estimated cost of the combined project is \$299 million, which represents a savings of \$47 million when compared to building these two projects separately. (The commercial cellular improvement project alone is estimated to cost \$213 million.)

The funding proposal requests a one-third funding contribution from three partners: the federal government, the provincial government and the mobile network carriers. The private sector has indicated an interest and willingness to move forward on this project, but requires a matching investment from the public sector to make it a reality.

Mobile broadband services, including smartphone use, are now essential services for businesses, the public and government alike. The Province of Ontario's funding contribution would create a return on investment within the first few years, as the project would become indispensable for economic development, emergency services, job creation and home businesses in the region.

Expansion of natural gas to businesses and communities: Almost every rural municipality in Ontario is presently facing challenges related to escalating energy costs, and the EOWC believes that the expansion of natural gas services offers a promising solution for residents, business and industries. Natural gas is significantly less expensive than oil heating or electricity, which has been rising in price exponentially. The result has been increased costs for municipal governments, businesses and residents, which reduces quality of life and economic growth.

The lack of natural gas presented enough concern for rural Ontario that the EOWC fostered the creation of a new partnership in October 2016 along with the Western Ontario Wardens' Caucus (WOWC) and the Ontario Federation of Agriculture (OFA), in an effort to work together with politicians and staff at Queen's Park to find a solution to this growing need.

The Province's announcement at the ROMA 2017 Conference, to provide \$100 million in natural gas access grants, is very welcome news for the EOWC and its rural partners. Access to natural gas is required to allow rural Ontario to become sustainable in the long term and is vital to foster future growth. Data provided by the OFA calculates the potential savings for rural residents, farms and businesses at \$1 billion annually.

The EOWC is encouraged by the Province's announcement and is hopeful that this will lead to consideration for an eventual additional investment from the Province, of \$75 million per year over the next 20 years, to extend natural gas services to the majority of rural Ontario.

As has been demonstrated by the OFA, this investment would be repaid and reinvested in Ontario over the same 20-year period, through the creation of new employment and economic development opportunities. Finally, the EOWC is also encouraging the Province to work with the Ontario Energy Board (OEB) and natural gas companies to bring gas lines into their communities.

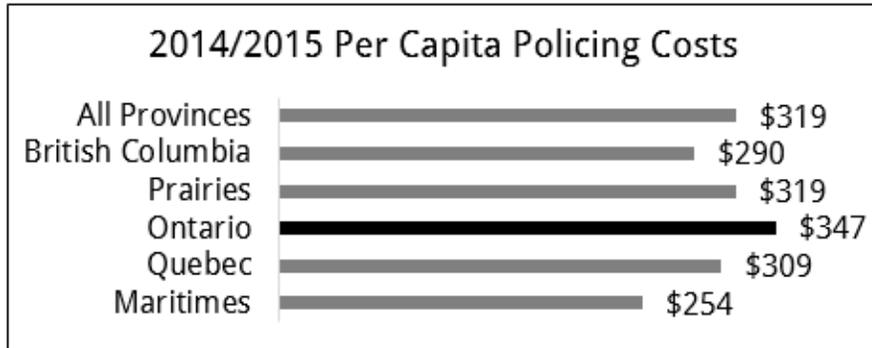
Investments in rural hydro infrastructure / hydro costs: The EOWC prepared a submission last year for the Ministry of Energy regarding the next *Long-Term Energy Plan*, in which it asked the Province to make the necessary infrastructure investments needed for the expansion of energy systems in areas of rural Eastern Ontario that are currently lacking.

As was outlined in the submission, rural Eastern Ontario needs assistance from both the Province and Hydro One to invest in the expansion of our region's hydroelectricity transmission systems and to continue finding solutions to hydro rates for Hydro One consumers. These issues affect rural areas greater than urban ones and represent a significant obstacle to growth and prosperity in the region, as it becomes difficult to attract and retain industries. For residents and social housing providers, high energy prices can lead to precarious situations.

As noted by ROMA, high electricity rates hit rural communities even harder than their urban counterparts as many rural homes and businesses rely on electricity for heating. Distribution costs are also higher in sparsely populated rural regions. In addition, off-peak rates in Ontario have increased significantly (149%) over the past ten years.

Policing Costs and Modernization: The EOWC is encouraged by the Province's efforts to modernize the *Police Services Act* and the forthcoming legislation expected in early 2017. The EOWC and its municipalities firmly believe that modernization is necessary in the policing sector for long-term sustainability and cost reduction.

The Association of Municipalities of Ontario (AMO) has stated that Ontarians pay the highest policing costs in the country, including both provincial and municipal expenditures. In 2014-2015, Ontarians spent \$347 per capita on policing, and there are no indications that these costs will be reduced in the near future. Furthermore, costs in Ontario continue to increase at a higher per-capita rate than in other provinces. AMO has provided the following chart as a reference:



The EOWC, like AMO, is seeking legislative changes from the Province to allow the transfer of specific functions to civilians or other security providers, in order to better manage public demand for services and increase operational effectiveness. Municipalities must be able to afford policing, along with all the other public programs and services that they offer.

Social Housing: Across Eastern Ontario (excluding the City of Ottawa), municipalities are directly responsible for \$467 million in social housing assets. Due to the age of many of these units as well as variations in assigning value, the capital infrastructure deficit is likely to be at least \$526 million. In total, there are currently more than 9,000 municipally-owned social housing units across Eastern Ontario, with another 3,000 to 5,000 operated by other non-profit organizations or the private sector. However, these assets now have a book value of \$257 million, suggesting they have lost 45% of their value, as amortization expenses have outstripped municipalities' ability to reinvest to maintain them.

Municipalities in Eastern Ontario face a \$71-million shortfall in annual capital expenditures, despite an annual investment of approximately \$20 million. Despite this, the shortfall takes into account the need for municipalities to address the social housing capital infrastructure deficit (\$52.6 million per year) and to make annual capital investments in the existing asset base to keep these assets in good condition (\$39 million).

Finally, a comparison of the region's end of agreement situation to that of the province as a whole suggests that more than three-quarters of the region's social housing projects – at least 10,000 units – will not be viable at end of agreement (either due to insufficient investment capital, insufficient revenues to cover operating expenditures, or both).