



## **FUTURE DIRECTIONS REPORT - 2002 AND UPDATES 2003 - 2005**

### **ISSUE:**

**The Eastern Ontario Wardens' Caucus believes that the region is financially disadvantaged and that the municipalities of the EOWC are experiencing growing fiscal difficulties due to:**

- **Their limited property tax base**
- **Modest assessment growth**
- **Provincial tax policies**
- **The escalating costs of provincially downloaded services including land ambulance service, social housing, transferred highways, income redistribution programs and child care**
- **Eroding provincial financial support for municipalities**

### **PROPOSED RESPONSE:**

***The Eastern Ontario Wardens' Caucus must continue to utilize the findings of the Future Directions report to support the case with the provincial government and the federal government for new funding programs and fiscal arrangements for the region and its municipalities. Financial support from senior levels of government is necessary to avert a financial crisis and ensure future growth of economically viable, self-sustaining communities.***

### **BACKGROUND:**

In 2002 the Eastern Ontario Wardens' Caucus agreed to undertake a detailed study of the fiscal challenges confronting its member municipalities and utilize the findings to support the case for new financial arrangements with both the federal government and the provincial government. The study was completed by the firm of Allan & Partners Inc. of Perth and compiled in a report entitled "Future Directions". The original report was subsequently updated in June 2003, August 2004 and August 2005.

The Future Directions report and its annual updates have found:

1) **Limited Property Tax Base**

The total budgeted taxation for the EOWC municipalities was only \$184.7 million in 2002. The property tax levy for the EOWC in 2005 had risen by almost 26% in three years to \$235.6 million in order to address rapidly increasing expenditure requirements.

2) **Modest Assessment Growth**

Assessment increases due to new growth have been modest, an average of 3.73% per year from 1998 to 2003 and less than 2% in 2004 and 2005.

3) **Tax Policies**

The significant potential shift from commercial and industrial ratepayers to the residential class continues to be an issue for those Counties with higher ratios. Disparities between Counties with respect to commercial and industrial education tax rates continue to exist.

4) **Impact of Local Services Realignment**

The funding shortfall for provincially downloaded services was \$1.2 million in 2002, \$3.6 million in 2003, \$8.3 million in 2004 and \$19.5 million in 2004. These amounts exclude the initial required savings of \$5 million per year.

5) **The Ontario Municipal Partnership Fund**

The Ontario Municipal Partnership Fund (OMPF) will leave the members of the EOWC with a shortfall of \$19.5 million in 2005. This deficit will continue to grow as the stable funding of \$16.3 million is phased out. At full maturity the annual deficit will exceed \$35 million, which represents 15% of the 2005 EOWC levy.