



“FUTURE DIRECTIONS”

AN ACTION PLAN FOR GOVERNMENT

January 2004

Executive Summary:

The Eastern Ontario Warden's Caucus has become a leading advocate for Eastern Ontario in an effort to make improvements to the systemic and special circumstances that each Upper Tier Municipality faces.

The Eastern Ontario Wardens' Caucus (EOWC) has prepared a detailed plan of action for Government that will implement many of the recommendations of the "*Future Directions*" report prepared in 2002 and updated in 2003.

Future Directions was first researched and prepared by Allan & Partners Inc., a respected chartered accounting firm with extensive municipal finance experience, in November 2002. The EOWC commissioned this independent study to determine and highlight issues that were of particular significance to the Upper Tier Municipalities of Eastern Ontario; issues that affect the Region's ability to provide comprehensive, affordable services to the individuals and businesses that call the East home.

The EOWC has committed to annually updating and reviewing *Future Directions* in order that the data will remain current and relevant helping to provide its members and Government with salient, useful information upon which good public policy can be fashioned.

The challenges identified in *Future Directions* and *Future Directions – An Update* include a limited assessment base, a small tax base, extensive areas of Crown land that produce no property taxation, a small population base spread over large geographic areas and a requirement to provide extensive and expensive services to the residents and businesses of the Region. Add to these issues the responsibility for maintaining over 40% of former provincial highways that were transferred to the UTMs and emergency services that respond to needs in the vast Crown land areas and the uniqueness of Eastern Ontario are clear.

The EOWC has taken the next step and produced this Action Plan for Government. The Action Plan provides Government, both Provincial and Federal, with specific recommendations that will respond to some of the special challenges noted in *Future Directions* and the *Update*. The problem is defined, options noted, where they exist, and actions identified.

The Action Plan for Government will serve as a benchmark for the Caucus to monitor the response of both levels of Government. The EOCW has been and remains committed to working with provincial and federal officials to bring about the positive change noted in this document. Together we can make change happen.

While the Action Plan for Government is a thorough analysis of many of the outstanding challenges facing Eastern Ontario a number of issues identified in *Future Directions* remain to be resolved. They include:

- High Commercial and Industrial Education tax rates that place Eastern Ontario at a systemic disadvantage;
- A Local Services Restructuring deficit of \$6.6 million in 2003 and growing;
- A need to for the Provincial Government to implement an effective Eastern Ontario Caucus where issues can be shared and examined;
- A stagnant or declining population base;
- Average annual family incomes that are significantly lower than the Provincial average;
- Continuing under funding of the CRF adjustment for farmland and managed forest taxation;
- A growing infrastructure deficit and rising operational costs particularly at the local municipal level for water and waste water facilities.

The Eastern Ontario Wardens' Caucus has pledged, as noted, to continue on an annual basis an Update of *Future Directions* to ensure that it data remains current and relevant.

The EOWC has also recognized that new and emerging challenges or opportunities will arise for the Region. The Caucus is determined to examine these issues and work to find solutions that will benefit the taxpayers of Eastern Ontario.

One current example of such an issue is the court imposed requirement for fencing along recreational trails and rights of way owned by municipalities. In the case of Hastings County it has been estimated that fencing all of the 200 kilometers of recreational trails would cost \$4,800,000. Across the Region that number will grow exponentially.

The EOWC recognizes the importance of working with Government, both Federal and Provincial, to bring about positive change and this Action Plan for Government will serve as a solid road map for that effort.

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Issue(s):

Provincial funding for land ambulance services is based on a response-time standard (90th percentile) established by the Ministry of Health and Long-Term Care in 1996. Since the assumption of this service in 2000-01, local governments are experiencing response time requirements (with a corresponding increase in call volumes) that exceed the service levels provided prior to the download. This has resulted in a significant gap between “approved” and “actual” costs for all service providers. Across Eastern Ontario, the average 2003 level of funding ranges from 39% - 48% of the total operational and capital expenditures incurred annually by the services providers.

Any move to have the Province re-assume responsibility does not appear to be a realistic direction and therefore the preference of the municipal service providers is to achieve an equitable 50/50 funding relationship with the Province.

This financial gap is exasperated by three (inter-connected) conveyance issues that underscore the need for a simple but equitable base funding formula. The issues are:

- i) **Escalating Wage Costs:** The average wage (and benefits) awards or settlements for paramedics exceeded 20% between 2001 and 2003, a trend which is anticipated to continue into the next three years. Provincial funding for wages is capped at 2% by the Management Board. A province-wide push by paramedics for parity with firefighters and neighbouring services will widen the gap between “approved” and “actual” costs funded through the province and the local tax base respectively. The issue is further compounded by the wage and salary disparities that existed between the services at the time of assumption in 2000-01 (i.e. lack of a level playing field);
- ii) **Cross Border Billing:** The current legislation and regulatory framework relies upon mutual agreements or a “default” formula for cross border billing purposes. Regardless, there are disparities. Amongst the service providers, the perception is that there are “winners” and “losers”. The reality is that the financial burden is greater for those service providers with tertiary health care centres, given the volume of patients transported to those centres that require return transportation. Although it may be argued, call volumes are ultimately generated in the patient’s “home” location and this also negatively impacts on the “home” service provider’s ability to meet local response-time standards; and
- iii) **Inter-facility Transfers:** Service providers are experiencing proportionate increases in all call (Codes 1-4) volumes since 2000-01. The deployment of emergency vehicles for non-emergency transfers is adversely affecting the ability

of providers to meet and maintain response time standards. Many providers are considering changes to their deployment strategies in order to prioritize emergency responses, which will offset the impacts on response times. The result is a failure to respond both effectively and efficiently to non-emergency medical transportation needs.

Recommendation:

1. That the Province fund 50% of all costs for land ambulance services, including wages, inter-facility transfers, and cross border conveyances through one single funding formula based upon a response time standard (e.g. 1996 percentile). This formula would eliminate cross border billing and wage caps and provide a financial framework for funding alternative (non-emergency) inter-facility transfer systems.
2. That the Ministry of Health and Long-Term Care to develop the legislative (policies, standards, regulations) framework and funding model for alternative medical transportation systems to effectively address the impact of inter-facility transfers on the service provider.
3. That the Ministry of Health and Long-Term Care to provide a one (1) time supplementary grant to assist service providers in the reconciliation of cross border billings in conjunction with the implementation of the above recommendations.

Issue(s):

A lack of adequate funding exists to sustain municipal roads and bridge infrastructure (both pre-existing and down loaded). Former provincial highways and their associated costs that were transferred to Upper Tier Municipalities across the East Region are currently excluded from the calculation of the CRF. The Future Directions Report identified that the 2003 capital needs in Eastern Ontario were 21.5 million plus a \$5,000 per year per 2-lane kilometre for operating costs.

Background

Alternate funding mechanisms proposed by previous governments have not been practical and do not reflect the realities of rural Ontario. Toll roads interfere with the common law rights of access. Provincial assumption of all bridges is similarly unworkable because of the natural connection between the bridges and the adjoining roadways. Having the facilities under separate jurisdictions would create considerable logistical and administrative difficulties. Debt financing will only cost the taxpayer more in the long run. The EOWC believes that it is inappropriate to borrow to meet ongoing operational costs. Such an approach could compromise municipal financial stability.

Options:

The issue in its essence has a simple solution: increase revenue or reduce expenses.

One option would be for the Province to take back the downloaded roadways and associated infrastructure.

This will benefit some municipalities more so than others. For those who received comparatively short lengths of downloaded road, the option does little to address the real issue, which is a lack of adequate funding caused by the loss of provincial support. Even for those who received large lengths of downloaded highway it is doubtful that the transfer back to the province would be sufficient to make up for the loss in provincial support that pre-existed Bill 26, and the Who Does What transfers.

Another implication to such an alternative is the consequent loss in level of service that would be experienced. Many of the transferred highways were very low on MTO's priority list and pre-transfer levels of service reflected this. While under municipal

jurisdiction the levels of service have been commensurate with the priority within the municipal context. Transfer back to the Province will likely result in a loss of service and a backlash from the local taxpayers can be expected.

The other obvious option is to increase revenue. However relying solely on the property tax base which by its limited nature puts the maintenance of these and other roads into a context in which their funding must compete with other municipal responsibilities.

As occurred in the early 1990's expenditures on these vital assets had to be reduced to respond to soaring social services costs resulting in a decline in their conditions.

Preferred Option

The preferred option would be to have provincial financial support provided to municipalities including the gasoline tax, related user fees such as recreation user fees, stumpage charges and mineral resource royalties, all of which rely on roads for their generation. Vehicle plate fees and driver license fees are another potential source of revenues. While such revenues are subject to fluctuation with the economy, there is a direct relationship between taxation and service and a reduced likelihood of political interference at the provincial level. It is suggested that this revenue stream will be more stable over the longer term.

Given the profile of the infrastructure issue, there is a potential that the province would consider an additional tax and be able to sell it to the electorate. It is believed that the consumers will accept the additional tax provided there is a direct and visible relationship between fee and service.

The additional revenues generated by the gasoline tax and other user fee streams would be used to pay for both the operating and capital cost. The degree to which capital costs should be supported will depend on individual circumstances. It is suggested that the gasoline tax increase by an amount that when added to other revenue streams would be adequate to generate sufficient revenue to support this.

As to the matter of distribution of the funds there are two issues to be considered.

The first of these is the identification of those roads and bridges to which the funding should apply. Arguably the bulk of the municipal traffic is carried by the arterial road system. The function of the arterial system is to move large volumes of traffic across regional areas. Property access is very much a secondary consideration. It is submitted that the funds should be earmarked for these facilities. Roads whose function is to provide property access should be paid for through the property tax base. Bridges should be treated in a similar way. Bridges are very expensive concentrations of public investment, which have impacts well outside the boundaries of the municipality in which it is situated. Again the function of these facilities is to move traffic across a barrier and not to provide property access. Qualifying facilities should be identified through the application of criteria similar to that previously utilized by MTO for the selection of upper tier roads. The criteria should focus on the function of the road within the regional context. The approach should be calibrated to reflect the realities of eastern

Ontario, which is demonstrably unique compared to other areas in southern Ontario. Bridges should be selected in accordance with the existing regulations.

The second matter is the distribution of revenues between qualifying jurisdictions. In this regard, there are two options. The first is a needs-based approach similar to the old municipal roads program. This approach is not recommended to be adopted as the municipal position. It is complex and difficult to administer at both the municipal and provincial levels, prone to interference and rewards inefficiency. The alternative is a life cycle costing approach in which the share of revenue is based on the quantity of infrastructure under each municipality's jurisdiction and a defined life cycle approach. Local ability to pay would be factored in through the percentage of the total life cycle cost granted. While this approach is less able to account for all individual circumstances, this is a minor shortcoming. The approach is simple, fair and encourages efficiency. Performance measures and like initiatives will provide the necessary checks to ensure that municipalities make appropriate use of allocated funds.

Recommendation:

1. That the Provincial Government provide capital funding of \$25 million per year for capital improvements to former provincial highways;
2. That the Province also provide funding for operating costs of former provincial highways in the amount of \$5,000 per two-lane kilometres.
3. That those jurisdictions responsible for arterial roads and bridges receive a portion of gasoline tax and other user fee revenues to support a portion of the capital cost and operating of the transportation infrastructure.
4. That qualifying infrastructure is selected according to set criteria recognizing the uniqueness of eastern Ontario, and that those funds are distributed on a life cycle basis, commensurate with the quantity and character of infrastructure in their care.
5. That local municipalities receive a percentage of the capital costs covered in each municipality should be adjusted to reflect the local ability to generate revenues from the property tax base.

Issue(s):

Since 2001 Social Housing providers have commissioned building assessment reviews and conducted capital repair projections to address their future capital requirements in a fiscally responsible manner. The financial impacts arising from these reviews indicate there will be need for housing providers to seek “emergency” or additional funding within the next five to ten years to meet capital repair needs when their one-time replacement reserve funds are depleted. Given the age and condition of the housing stock, many providers find themselves in the position of having to expend an annual amount that often exceeds the one-time reserve contribution received by the local providers at the time of devolution. This is creating an additional burden on the local tax base which, in the absence of any commitments from the senior levels of government, places social housing providers in a severe future financial liability with few tools to meet their obligations.

This issue is compounded by the direction of current social housing funding programs sponsored by the senior levels of government which focus on the introduction of new units to the existing social housing portfolios locally. There is an urgent need to re-focus this programming on the sustainability of the current or existing public housing stock. Independent studies across the Eastern Ontario region have identified amongst individual service providers short falls in capital revenue funds in the range of \$20 -\$30 million dollars to meet the necessary capital repairs over the next twenty years.

Services providers are obligated to maintain the base number of “assisted” housing units transferred by the Province at the time of devolution. A looming issue on the horizon is the potential loss of “assisted” public housing stock once the thirty-five (35) year mortgages on these properties expire. The landlord(s) may have no obligation to maintain public housing units in the market place which, may potentially place a future capital funding burden on the municipal services providers once these mortgages expire.

Recommendation:

1. That the Provincial Minister responsible for Social Housing, together with his/her Federal counterpart, be urged to provide sufficient funds to Social Housing providers' replacement reserve funds to meet their further capital needs in a responsible manner. Additional capital reserve funding based on the current number of units per capita for each service provider may prove to be a fair and equitable funding formula.
2. That the Province, in conjunction with the above recommendation, also investigate the application of alternative 'tools' for capital reserve funding, including, for example, the removal of restrictions on local providers to i) re-mortgage the properties for capital improvements and ii) to invest housing reserves outside of the current investment portfolio managed by the provincial Social Housing Corporation in order to maintain a sound business debit/asset ratio and maximize investment returns.

Issue(s):

- i) Inconsistency in the manner in which hydro corridors and pipelines are assessed and produce taxation revenue.
- ii) Assessment rolls do not include acreage from hydro corridors on either leased land or easements and this assessment information is not available through MPAC.
- iii) The Hydro One is only required to pay taxes on properties which it owns.

Options:

Develop a financial model for which would be used to determine the cost benefit of moving forward with these recommendations.

- Identify all hydro corridors and pipelines within Eastern County.
- Determine whether these corridors and pipelines are assessed for taxation purposes.
- Does the private property owner's tax liability include the value of the hydro corridor?

Identify the location of these major provincial and federal assets within the County boundaries.

- Review aerial photographs of the Region to locate hydro corridors, railway lines and communication towers.
- Review MNR mapping initiatives to see if any of these properties have already been mapped.

Evaluate similar types of properties and the assessment methodology which is applied.

- Identify railway lines and communications towers.
- Contact pipeline companies to determine location of their facilities.

Estimate the revenue shortfall.

Review the Assessment Act to identify the statutory provisions which must be amended.

Recommendation:

1. That Hydro corridors mapped and acreage on easements or leased lands segregated and assessed for taxation purposes.
2. That leased land and easements be assessed and taxed in the same manner as property owned by Hydro Distribution Companies. (Property taxes currently \$991 per acre.)
3. That land owners be responsible to pay the appropriate property taxation.
4. That taxation of these properties be consistent with similar properties regardless of ownership.

Issue(s):

As identified within Appendix VIII of the Future Directions Report, there are approximately 2 million acres of unpatented Crown Lands in Eastern Ontario. This property is exempt from taxation. There is total inconsistency relative to payment to municipalities by the Province on provincially-owned property. Of particular issue is the total absence of payment-in-lieu on Crown Land.

Options:

Crown Lands generate substantial revenues for the Province of Ontario including land use permits, park usage fees, recreational trails, timber cutting rights, aggregate use permits, plus spin-off revenues such as fuel tax, licensing, sales tax, etc. On the very face of the issue, there is a huge inequity in that land that is owned by the Province and from which it generates very significant direct and indirect revenues pays absolutely nothing in tax or payment in lieu. In addition, many provincial ministries use municipal roadways in order to carry out their mandates with Crown Lands. They include the Ministry of Natural Resources for fish, wildlife, land management, and fire protection of these valuable resources. Many of these revenues would not be achievable if not for the municipal road system that is totally dependent upon the local tax dollar.

The annual cost to maintain and rebuild roadways, as necessary, is a substantial amount of money to the lower-tier level of municipal government as well as the upper-tier level of municipal government. From a point of fairness and equity, it is important that this cost be borne equally by all property owners including the provincial government's Crown Land base.

Schedule 1 attached applies the residential tax rate for the Counties within the study area as found within Appendix II to the assessment of unpatented Crown Lands as found within Appendix VIII. The annual provincial tax bill for upper-tier municipal purposes of \$2,764,953.04 would reduce the municipal property taxpayer burden of the upper-tier. This analysis does not include the application of municipal property tax rates for the lower-tier purposes or education purposes which would be considered revenue to the lower-tier municipality in which the unpatented Crown Lands are located. This increased municipal taxation will alleviate the financial burden not only for upper-tier municipalities for programs under their jurisdiction, but also for the lower-tier municipalities to offset their costs for roadway capital and maintenance, water and

sewer infrastructure and the non-revenue neutral portion of the download of policing costs to municipalities who became responsible for funding policing in 1998 through the LSR initiatives.

Should the Province of Ontario be unwilling to allow its unpatented Crown Lands to form part of the assessment base, it is proposed that the various stakeholder Ministries (in particular the Ministry of Natural Resources) and the Counties within the study area enter into discussion with a view to negotiating a five-year renewable agreement for the provision of transportation and other services to Crown Lands. It is proposed that payment be made by the Province on an annual basis based on the area of land served. Provincial grants-in-lieu of taxes on such a basis would reduce the tax burden for privately owned lands throughout Eastern Ontario.

The benefits to the Province of Ontario would be continued ... safe and reliable access to unpatented Crown Lands and to major parks within the study area including Algonquin Park.

The benefits to Eastern Ontario are obvious. It spreads the financial burden equally among all benefiting property owners and provides a stable base of funding over a reasonable period of time to properly maintain the network. It will have an added benefit to our lower-tier municipalities in that it will create tax room for them to maintain their own roads system among other services provided to their ratepayers within their respective municipalities.

Recommendation:

1. That the Province and the EOWC immediately enter into negotiations to implement a fair payment of property taxation on Crown land across the Region.

Schedule 1

FUTURE DIRECTIONS – CROWN LANDS

	Crown Land Assessment	Residential Tax Rates (2002)	Municipal Taxation For County Purposes
Frontenac	22,945,400	0.003688967	\$84,660.95
Haliburton	92,343,400	0.00234524	\$216,567.44
Hastings	70,384,200	0.00466900	\$328,623.83
Lanark	114,800	0.00507084	\$582.13
Leeds & Grenville	523,900	0.00390572	\$2,046.21
Lennox & Addington	22,918,100	0.00510900	\$117,088.57
Northumberland	849,300	0.00458525	\$3,894.25
Peterborough	57,589,700	0.00394768	\$227,345.71
Prescott & Russell	1,498,600	0.00566737	\$8,493.12
Prince Edward	1,635,600	0.00954387	\$15,609.95
Renfrew	402,600,000	0.00437019	\$1,759,438.49
Stormont Dundas & Glengarry	81,200	0.00741850	<u>\$602.38</u>
			<u>\$2,764,953.04</u>

Tax policies Managed Forests Farm Lands

Issue(s):

Assessment Increases in Managed Forests and Farmlands

Assessment in these areas continues to grow. MPAC recently decided to assess the Managed Forest differently than in the past- which has resulted in large increases in assessment. This in turn affects the amount of CRF which is allocated both to the Upper and Lower Tier.

MIFTIP

Owners of managed forests continue to be a strong lobby group to the Province and the qualifications get less restrictive on these properties.

Our ability to lower the rates from 25% will only increase the burden again on the other tax classes, and does not seem feasible.

If more assessment (not an increase on the current properties) is added into the Managed Forest Class, then taxes being received decrease. It is necessary to make sure the Provincial Government is constantly monitoring the eligibility of the properties within this class.

Working with MPAC to ensure the classifications are correct and that MPAC will continue through the appeal process if necessary.

The OMB will need to understand the overall tax consequences to Counties when making decisions on some of the current appeals in process on these managed forest lands.

Organizations like AMCTO, MFOA and The Tax Collector's Association also need to be aware of the concerns of the EOWC. By lobbying together with these groups a stronger voice can be taken to Queen's Park.

Recommendation:

1. That the Ministry of Finance review the CRF allocations as it pertains to managed forests and farmlands, so that the original intention of neutrality is still honored.

EOWC 6 B Tax policies Industrial and Commercial

Issue(s):

Tax cap

The Province's mandatory 5 % a year tax cap on commercial, industrial and multi-residential classes needs to be lifted.

A shortfall in the ability of these tax classes to fund the cap within the class causes increased tax burden on all other classes.

Education tax rates

Education tax rates were not standardized across the Province like Residential rates were. These inequities due to our lower than Provincial average assessment in these classes cause inequities for the Eastern Ontario areas to be competitive with areas that have higher assessments in these tax classes.

Tax Ratios

Counties have been charged with the responsibilities of setting the tax ratios. In order for any of us to make changes to lower the Industrial or Commercial tax ratios, we must analyze and be prepared for the burden to shift to Residential. Due to the MVA changes on an annual basis, it seems that the residential tax classes are the ones being impacted already.

High taxes

Due to the ratio setting and the high education taxes, these property tax classes are faced with higher than acceptable taxes. In order to attract growth and opportunities for businesses, it will be necessary in the upcoming years, to demonstrate our ability to help these businesses. However, there is a Catch 22- by lowering multi-residential, commercial and industrial taxes by reducing the ratios, a larger portion of the tax burden is shifted to the residential ratepayers.

Recommendation:

1. That the Province review the education tax rates for Commercial and Industrial for all of Eastern Ontario and before considering a reduction in the residential tax rate, lower the Industrial and Commercial education tax rates appropriately to be more competitive from County to County.
2. That the Province considers a standard education tax rate.
3. That the tax cap currently on commercial, industrial and multi-residential properties, be discontinued and these properties move to taxation on market value assessment – based on the three year rolling average, now in place for residential.

Social Assistance Funding Cost of admin. OW and Child Care vs. ODSP

Issue(s):

Since Provincial Local Services Realignment (LSR) in 1998 there has not been a major attempt to enhance or rationalize Social Services / Ontario Works administration costs.

The Province has maintained that administration expenses in some CMSMs are high (above the Provincial average) and that administration costs could be maintained or reduced due to caseload declines. The provincial average target is \$1400/ case gross, determined using 1998 costs.

The Province has announced cost escalations for ODSP administration and provincial technology support costs (approximately 40% for many CMSM's) for both 2002 and 2003.

New Provincial initiatives (e.g. Intake Screening Units, Training, Technology, Participation Agreement expectations, Literacy Screening, etc.) have placed pressure on most CMSMs.

In addition, administration support for Child Care has remained unchanged in spite of increased expectations in this area since the transfer under LSR.

Most CMSMs are now facing staffing and budget pressures for the 2004 budget year. There has been a continual increase in complexity in both the Ontario Works and Child Care programs, which exacerbates the funding pressures.

An unknown for 2004 is the increase in technology costs to assume support for Service Delivery Model Technology (SDMT).

The current funding arrangements do not recognize the need for a base level of funding to support core functions. This is especially important for smaller CMSMs.

A cumulative estimate of inflation since the last adjustment is 10-11%

It is recognized that there is not a consistent formula or approach to CMSM administration funding. A fair unit cost formula would be preferable. While a process to develop a new formula is being developed, substantive adjustments for inflation are required in 2004.

A standard formula would also be congruent with the move toward a more appropriate CMSM-provincial relationship in which there would be an agreement on service standards within the budget framework but the province would not overly regulate the budget process.

Recommendation:

1. That the Cost of Administration funding allocation for Ontario Works and Child Care be adjusted for cumulative inflation in 2004.
2. That a future funding formula be developed in consultation with CMSMs based on agreed upon principles, criteria and service standards, recognizing the increased responsibilities, complexity of delivery and costs.
3. That the Municipal Provincial Social Services Working Group develop terms of reference to (i) review both Ontario Works and Child Care policies, program design and administrative requirements; and (ii) make recommendations to simplify both policies and administrative requirements that impact on workload; with the goal being a new model of program administration funding and service standards for implementation in 2005.
4. That an “exceptional circumstance” or “mitigation” process to review ODSP expenditure issues at the local level be developed that addresses both Benefits and Program Administration.

Issues(s): (Withdrawn)

Options:

Recommendation:

Issue(s):

- i) Eastern Ontario's limited assessment base limits the taxing capabilities of member municipalities. The ability of municipalities to adequately fund the cost of services through the property tax base has placed a disproportionate burden on the taxpayers of Eastern Ontario.
- ii) "Future Directions" has identified that Eastern Ontario is one of only two regions in Canada that has not been included in a region-specific Federal investment zone to which economic development programs have been established and funded. This has resulted in a systemic competitive disadvantage being created for the Region.
- iii) In the mid nineteen nineties the Provincial Government embarked on a program of transferring Provincial Highways to Upper Tier municipalities across Ontario. This transfer resulted in Eastern Ontario receiving 40% of all transferred highways. This transfer while representing a disproportionate share was compounded by a small assessment base and limited ability to fund, into the future, the significant cost needs of these former highways. Additionally, the costs associated with the ongoing needs for these roads were excluded from the CRF calculations.

Recommendation:

To Ontario

1. Recognize the limitations to adequately fund Eastern Ontario's infrastructure and services that result from a limited assessment and tax base.
2. Invest in the capital needs of former Provincial Highways through direct transfers of a minimum of \$25 million annually to Eastern Ontario Upper Tier municipalities.
3. Invest in the operating requirements of former Provincial Highways through direct transfers of \$5,000 per two lane kilometers to Eastern Ontario Upper Tier municipalities.

4. That Ontario exempt municipalities from the payment of the Provincial Sales Tax.
5. That in the event of an exemption from federal GST the Provincial Government commit to not clawing back any such savings from the municipalities.

To Canada

1. Recognize the need for direct support to Eastern Ontario through the establishment of an economic development program tailored to the unique requirements of the Region.
2. Support the improvement of rural infrastructure needs including high speed access to the internet through the direct Federal investment of \$52 million annually.
3. Support the improvement in Regional transportation systems through the appropriate sharing on the federal gasoline tax.
4. Develop a model for facilitation of the direct Federal financial support that reflects the needs of Eastern Ontario such as FedNor.
5. That the Federal Government exempt municipalities from the payment of the GST.

Issue(s):

The previous sections in this report have clearly outlined the many areas that must be addressed by the Province. The potential for large fluctuations in expenditures related directly to downloaded services has made yearly budgeting a difficult process for municipalities. Since we have little or no control on these fluctuations, we must look towards the revenue side of the equation. The concern now revolves around the uncertainty of long term sustainable revenue.

Recommendation:

1. If property taxation is to continue as the main revenue source, then the problems with our current property tax system need to be addressed.
 - Tax Capping must be eliminated in order to have fair property taxation based on true CVA. As assessment values increase, the cost of capping also increases. The annual capping is a huge cost to municipalities and it is difficult to estimate at the time when budgets are approved since OPTA is not updated at that time.
 - The Province must eliminate the special settlements made with pipelines, railways and hydro corridors. Manipulation of these assessments or acreage values and rates, has resulted in lost revenue for municipalities and often experience lengthy delays in receiving their partial compensation from the province, if at all.
 - Finalization of municipal budgets is frequently postponed awaiting provincial data, making long-range financial planning virtually impossible. It is difficult to find the necessary information in the numerous regulations.
 - While the CRF may be a good funding method in theory, in actual practice it is complicated and municipalities are not able to forecast any changes to it. When attempting to validate and/or reconcile the line items of the CRF allocation many errors can be identified. Unfortunately, when brought to the attention of staff of the Ministry of Finance, municipalities end up in a never-ending circle of calculations that cannot be verified nor clearly explained by the Ministry. The province must simplify CRF calculations so that realistic assumptions on funding levels can be

determined by municipalities for budgeting purposes. If CRF is to remain as the predominant funding assistance from the Province, then it must be entrenched as a permanent source of predictable dollars. CRF must also be expanded to include maintenance on highways.

- The Province must assume their share of financial responsibility for downloaded programs that are improperly within the financial jurisdiction of municipalities, i.e. bridges. If we are to work in cooperation, then the Province must ensure that we are at the table when developing policies on issues that directly impact us.
2. Other sources of revenue, in addition to property taxation must be made available. Downloaded activities or increased responsibilities to municipalities should be handled together with a consideration for Provincial funding. For example, the Emergency Management Act may result in municipalities hiring specialized staff in order to meet their new requirements, Health Unit activities are expanding with little input from municipalities, monitoring costs charged by the Province to POA courts are unfair and the potential bypassing of the courts for some fines was never part of the original memorandum of understanding.

Although the majority of our population (over 70%) now live in large urban areas, we cannot forget the remaining population who choose to live in a rural setting. We must also remember that the majority of resources used by all citizens come from outside of urban areas. The Province needs to develop a rural policy (one that takes into account the challenges associated with smaller or dispersed populations) that deals with rural infrastructure. The Province must consider an allowance for the higher costs of rural infrastructure in funding programs and rural investment policies. If “Future Directions” is to be the start of a new relationship between Eastern Ontario and the Province, then we need to rectify the inequities between municipal fiscal resources and responsibilities.

Multi-year funding is essential if adequate resources are to be allocated to the various services. Provincial/municipal agreements need to be developed in five-year increments to foster fiscal stability. This funding will need to address our special needs as related to low tax base, limited growth, and sparse population in Eastern Ontario.

Issue(s):

The Eastern Ontario Wardens' Caucus in its' "Future Directions" paper also identified a number of issues that merit the attention of Government.

Coordinated Approach

It is the view of the EOWC that a coordinated approach based upon strong and effective Provincial/Upper Tier collaboration is the best strategy to confront the challenges facing the region. It will allow the parties to build upon the strengths, unique features and strategic advantages of all participants.

Eastern Ontario Caucus

The EOWC is of the opinion that an Eastern Ontario Caucus consisting of all M.P.P.s from the region be formed to address Eastern Ontario issues and be a collaborative body to work with the EOWC. It would act as a champion for the East.

The EOWC suggests that meetings should be held twice each year between the two groups.

Packaging and Selling the Region

The EOWC recognizes that Eastern Ontario must compete in a global marketplace. Eastern Ontario has many strengths including location, a skilled labour force, strong work ethics and a diversified economy.

However, the EOWC also recognizes that it needs the financial support of the Province and the Federal Governments in the marketing of the region.

Recommendation:

1. That the EOWC will remain committed to be a long term advocate for Eastern Ontario issues and will be a focal point for discussions with both the Provincial and Federal Governments.
2. That the EOWC recommends to the Provincial Government that it establish an Eastern Ontario Caucus consisting of all Eastern Government M.P.P.s and that meetings be held at least twice per year between the two groups.

3. That the Provincial and Federal Governments join with the EOWC to develop and assist in funding a comprehensive marketing initiative for the region.