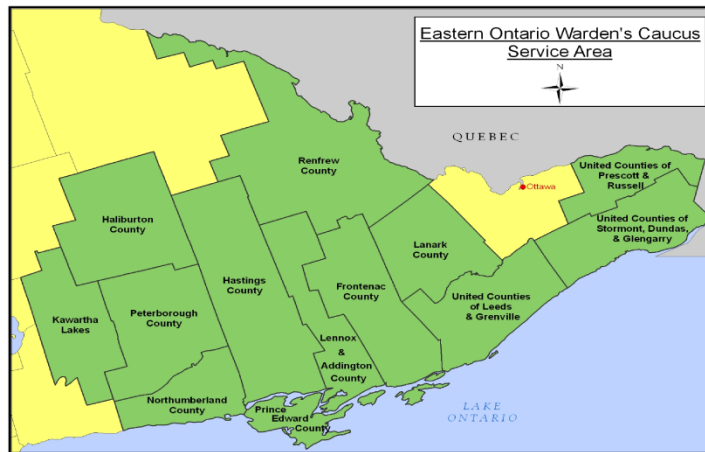




Eastern Ontario Wardens' Caucus



2010 Pre-Budget Submission

Presented to the Honourable Jim Flaherty,
Minister of Finance

February 10, 2010

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Executive Summary

The Eastern Ontario Wardens' Caucus (EOWC) Inc. represents 13 upper tier and single tier municipalities and the 1,000,000 residents that call the region home. From the City of Kawartha Lakes and the County of Haliburton in the west to the United Counties of Stormont, Dundas and Glengarry in the east and north to Renfrew County, the residents and businesses served by the EOWC Inc. are joined by common interests and challenges.

This is our third pre-budget submission. This year we have again turned our attention to measures we believe should be considered to support and stimulate the economy of Eastern Ontario.

The EOWC Inc. as an organization has continuously focused on region-wide issues that affect our fiscal and economic viability here in Eastern Ontario. Our advocacy work has been based on solid research, thoughtful analysis and the provision of options and recommendations for improvement.

Since 2002, we have engaged the services of an independent accounting firm, Allen & Partners Inc., to provide us with detailed assessments of our fiscal situation and the key sources of concern or opportunity for us. As elected officials we also understand the importance of looking beyond purely financial issues and that a broader view of our region is essential.

A Prosperity Plan for Eastern Ontario

As noted in our 2009-Pre Budget Submission, the EOWC Inc. along with its partners the Ontario East Economic Development Commission and the 15 Community Futures Development Corporations that serve Eastern Ontario published in 2007 a comprehensive report entitled *A Prosperity Plan for Eastern Ontario*.

The *Prosperity Plan* contained 51 specific recommendations for improving the fiscal, cultural and economic situation across the EOWC Inc. region.

The *Prosperity Plan* highlighted the policy and program issues which must be addressed to ensure our region “... *participates fully in the province’s transition to knowledge-based economy and makes its full contribution to preserving and extending Ontario’s prosperity...*” We believe of course that prosperity for our region and our province is also in the national interest.

This Plan provided us with a solid platform from which we can respond to such matters as the Pre-Budget consultation process. We commend the entire Plan to you for your review and consideration. The Plan and its supporting documents can be accessed through our web site www.eowc.org. In 2010, the EOWC intends to update the Report to reflect the current demographic and economic conditions in the region.

A Thank You

Before providing you our recommendations for your Budget this year we want to again express our sincere gratitude and appreciation to the Federal Government for its support of municipalities here in Ontario and indeed across Canada.

The Federal Government has provided much needed financial support to our municipalities through a series of specific actions including:

- a) The full GST rebate. The rebate is an integral component to attempts by municipal governments to achieve financial sustainability. The Eastern Ontario Wardens’ Caucus understands and fully appreciates the significance of this rebate and again wish to acknowledge your Government’s continued commitment to it.

- b) The sharing of Federal Gas Tax revenues with all municipalities is proof that the Federal Government is paying attention to our transportation and infrastructure needs. Rural transportation infrastructure is essential to the movement of goods and services throughout the Canada. It plays a key role in the continued health of both the national and provincial economies.

- c) The EOWC Inc. acknowledges the \$55 million investment by the Federal Government in the Eastern Ontario Regional Broadband Network. As noted in detail in our background project files, this project will create a modern, high-capacity network that will serve residents, businesses, health care providers and educators to help transform our regional economy from a dependency on primary and secondary manufacturing to a knowledge-based economy.

- d) Over the past few years, there has been great cooperation between the Federal Government and the Province of Ontario with respect to financial support of specific infrastructure programmes such as Build Canada.

When we looked closely at the support over the past few years we noted it has been significant. For example:

■ Federal Gas Transfers:

2005 =	\$ 7,572,267
2006 =	\$ 7,572,267
2007 =	\$10,096,228
2008 =	\$12,618,189
2009 =	<u>\$25,236,379</u>
	\$63,095,330

■ Eastern Ontario Development Programme (Federal)

2005-2008 =	\$40,000,000
Leveraged additional investments	\$66,000,000

■ COMRIF:

2005-2007 total funding	\$14,496,367
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■ Build Canada:

Build Canada Fund 2009	\$14,877,548
Infrastructure Stimulus and BCF II	\$27, 302,613

■ Provincial Transfers:

2006 Move Ontario	\$32,164,442
2007 RIII	\$ 6,694,350
2008 MIII	\$ 7,215,112
2008 Budget	\$35,721,721
2008/2009 Investing in Ont.	<u>\$30,186,754</u>
	\$111,982,383

■ Eastern Ontario Development Fund (Ontario)

2000-2011	\$80,000,000
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■ Eastern Ontario Regional Broadband Network

Federal Capital Contribution	\$55,000,000
Provincial Capital Contribution	\$55,000,000
(Awaiting signing of Contribution Agreement)	

Total Federal + Provincial Investments (2005-2011) = \$435,563,531

Summary of Recommendations for 2010

While we acknowledge the support already provided by the Federal Government through its various programs and agreements the challenges facing our members continue to be significant. In this very difficult financial period we believe that specific actions can be taken by your Government to assist the people and businesses of Eastern Ontario.

The following recommendations are offered for your consideration:

- ◆ That the Federal Government, as part of an ongoing economic development stimulus package, continue to make significant investments in municipal infrastructure projects including roads, bridges, water and sewer facilities. With a six billion dollar annual municipal infrastructure deficit that continues to grow, action is needed by all levels of Government to remedy this situation.
- ◆ That funding for the Federal Economic Development Agency for Southern Ontario be continued on an ongoing basis beyond the 5 years approved in the 2009-Budget. The Eastern Ontario Development Programme Fund, which has been merged into the funding for this Agency, has over the three years that was in existence provided \$28 million in funding that in turn has resulted in leverage investments of a further \$66 million.
- ◆ That the Federal Government commit to providing a continuation of the Federal Gas Tax rebate beyond 2014. As noted earlier in our submission, the municipal infrastructure deficit in Ontario is at \$6 billion and continues to grow. Sustainable funding such as the Federal Gas Tax rebate is needed to help address this situation. The success of this programme can easily be seen in a review of the report prepared by the Association of Municipalities of Ontario titled Mapping Gas Tax Investments in your Community. This report can be accessed at: <http://www.gastaxatwork.ca/>

- ◆ That the Federal Government assesses opportunities to promote growth through improvements to the five deep-water ports located in Eastern Ontario. Two of the ports are located in the United Counties of Stormont, Dundas and Glengarry, one in the United Counties of Leeds and Grenville, one in Lennox and Addington County and one in Prince Edward County. Increased usage of these port facilities will have a significant economic impact on the region.

End of Recommendations

Key Attributes of Eastern Ontario

Understanding the characteristics of our local and regional economies, the people who call Eastern Ontario home and the attributes that reflect on our region is essential to the recommendations contained in this submission.

While we acknowledge that some of our unique challenges result from Provincial policies and programs we believe it is helpful to provide you and your Government with this important background that has driven our need to prepare this submission.

Appendix “A” provides a fulsome review of the make up of our Region. However, there are several key matters which we wish to highlight at this point.

Unsustainable Property Tax Increases:

Property taxpayers in our EOWC Inc. municipalities have been faced with significant increases at the upper tier/single tier as a result of many of the factors noted in Appendix “A. When the first *Future Directions* report was prepared in 2002 for the EOWC Inc., one the substantive indicators of concern about our fiscal sustainability was the impact downloading and other cost pressures were having on upper tier/single tier property tax rates.

Since the first report and in every *Update* since 2002 Allen & Partners has monitored annual increases in tax rates.

- In 2002 we collectively levied \$226 million
- In 2009 we collectively levied \$347 million

That represents a **54%** increase over the past eight years. Property taxpayers cannot tolerate continued increases of this magnitude. On average, member municipalities have had to increase their own purpose levies to more than double the rate of inflation between 2002 and 2009.

Provincial-Municipal Transfers

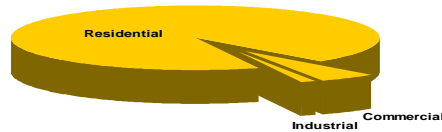
The 2009 *Future Directions Update* identified another significant impact on the fiscal situation of EOWC Inc. member municipalities. The *Update* notes that our municipalities were left with a funding shortfall in excess of \$38.8 million and while the Federal Government has no role to play in provincial funding arrangements it is important to understand the fiscal pressures being felt by member municipalities.

The *Provincial Municipal Fiscal and Service Delivery Review* report that was released in October 2008 also highlighted the significant reliance of eastern Ontario municipalities on provincial transfers through OMPF for their revenues. As the report notes, “*in the absence of that fund...to sustain existing services, tax rates would need to be 1.5 times higher than they currently are*”.

Burden Rests with Residential Property Taxpayer

The 2009 *Future Directions Update* noted that assessment growth for the EOWC Inc. region was less than 2% in 2007, 2008 and 2009. Commercial and industrial assessments continue to account for less than 5% and less than 1.5% of the total assessment. In other words, residential property taxpayers shoulder 94.7% of the total tax burden in our communities.

Homeowners bear the tax burden



- Commercial grew, but is only 4.9% of total assessment
- Industrial accounts for only 1.4%

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Investing in our Roads & Bridges

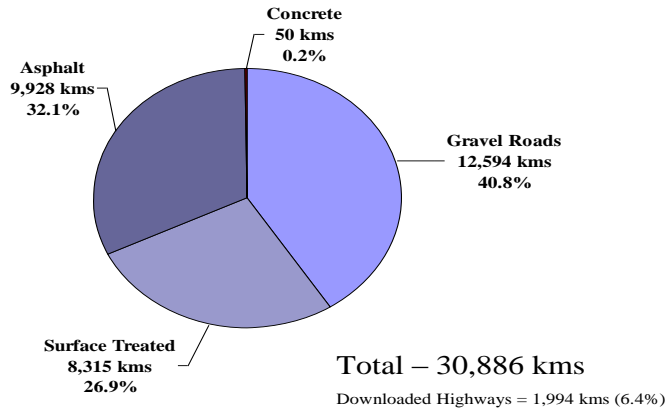
One of the key recommendations of this submission is for the continued investment by the Federal and the Provincial Governments in the nation's road and bridge systems. This action has the dual advantage of creating thousands of jobs quickly and ensuring that transportation system can effectively and efficiently move people and goods to markets, jobs and school.

Our past research supports this call for continued action.

In 2007, the Caucus undertook an extensive analysis of the state of its roads and bridges systems. This assessment became a major source of information for the work of the Infrastructure Table under the recent Provincial/Municipal Fiscal and Service Delivery Review. The results are startling and concerning:

Chart #1 below identifies the amount and type of roads in the EOWC Inc. catchment area. There is a total of 30,866 kilometres of road to maintain along with more than 2,000 bridge structures over 3 meters in diameter.

Roads and Bridges Infrastructure Surface Categories



As noted in the above Chart some 2,000 kilometres of former provincial highways were transferred to EOWC Inc. member municipalities in the period 1995-1997. While they make up only 6.4% of the total road network they are now roads that require a much higher degree of maintenance and capital expenditures as result of the traffic volumes. Allan and Partners calculate that EOWC Inc. members should be spending approximately \$22 million (in 1998 dollars) annually to maintain and upgrade these former provincial highways. Unfortunately, no member has sufficient resources to meet these recommended financial expenditures.

In 2006 EOWC Inc. municipalities spent, as illustrated in Chart #2, a total of \$319 million on maintenance, operating and capital which translated into \$522 per capita.

Expenditures

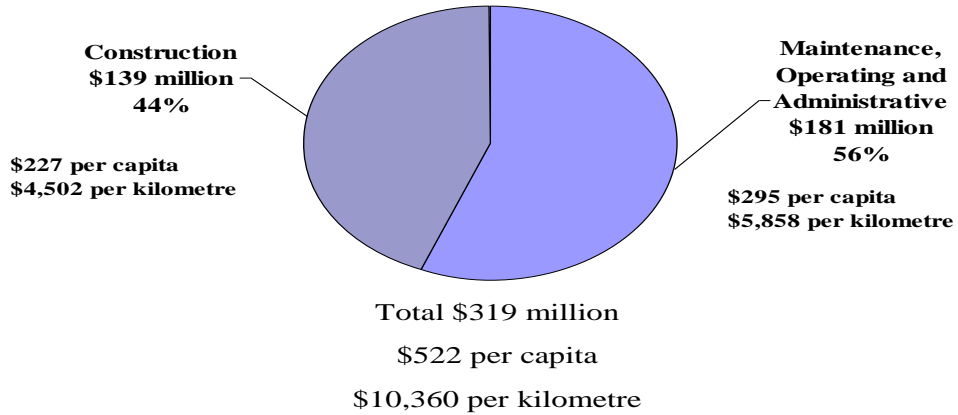


Chart #2

Needs:

Of particular importance to the analysis of the EOWC Inc.'s road system is the estimated need for system-wide investments. Charts #3 and #4 identify both the amount of spending that needs to occur contrasted against the amount of actual spending that EOWC Inc. members were able to afford.

In short, engineering studies inform us that the total financial needs of our roads and bridge systems are **\$2.26 billion** over the next 6-10 years. Of that \$2.26 billion the “now” (spending that should be done immediately) is **\$616 million**. However, in 2006 we collectively were able to spend only **\$139 million** leaving a deficit of **\$447 million**.

Estimated Roads Needs

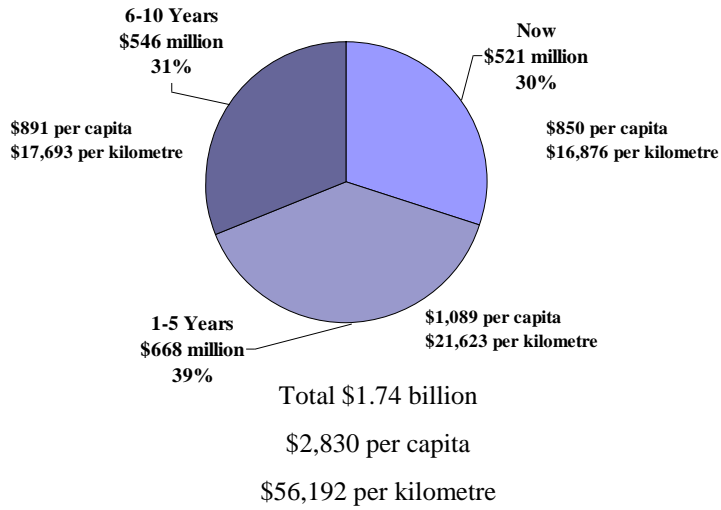


Chart #3

Estimated Bridge and Culvert Needs

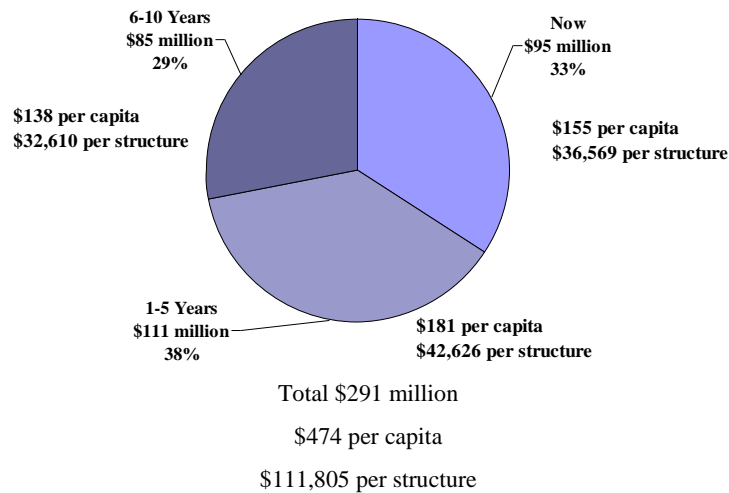


Chart #4

- Total Needs = \$2.26 Billion
- Now Needs = \$616 Million
- 2006 Construction Spending = \$139 Million
- Deficit = \$477 Million

From this research and analysis it is evident that without a major fiscal stimulus from senior governments our region's road and bridge systems cannot be adequately improved. Further deterioration will result in reduced competitiveness for business and its ability to retain existing jobs or generate new ones.

Appendix “A”

Eastern Ontario – Background

The Eastern Ontario Wardens’ Caucus continues to be an advocate for Eastern Ontario in an effort to bring about positive change in our communities.

As we noted in our past submissions the Caucus established, as a primary principle of its work, that each issue we raise would be well researched, vetted and reviewed before any Caucus position was established. Its main analytical tool has been the *Future Directions* report.

The first volume of *Future Directions* was researched and prepared by Allan & Partners Inc., a respected chartered accounting firm with extensive municipal finance experience, in November 2002. The EOWC Inc. commissioned this independent study to determine and highlight issues that were of particular significance to the upper tier municipalities of Eastern Ontario. The issues set out in *Future Directions* affect the region’s ability to provide comprehensive, affordable services to the individuals and businesses that call the east home.

The challenges identified in *Future Directions* and each subsequent *Future Directions 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 with family incomes that are between 11% and 38% lower than the Provincial average and a requirement to provide extensive and expensive services to the residents and businesses of the region.

On March 31, 2007 the EOWC Inc. along with its two partners the Ontario East Economic Development Commission and the 15 Community Futures Development Corporations of Eastern Ontario released *A Profile of Eastern Ontario (Regional Data*

Set). This comprehensive analysis of Eastern Ontario covered a wide variety of topics and challenges including population and population densities, human, financial, innovation, economic, and lifestyle capital.

The *Regional Data Set* helped draw a picture of the East. This picture highlighted both the opportunities and the unique challenges faced in our region some of which bear noting in this Pre-Budget Submission.

Population

Since 2001, the Region's population grew by only 4% which includes the City of Ottawa and all of the separated cities such as Kingston and Belleville. When these urban areas are removed from the calculation, the population in the EOWC Inc. counties had a cumulative growth rate of just 3.64%. The chart below illustrates this reality.

Geographic Area (data source: Statistics Canada - community profiles 2006)	Population 2006	Pop. Change 2001-2006 (%)
County-Based Calculation:		
Counties of Eastern Ontario (not incl. any separated cities)	709,530	3.64
Small separated cities (all except Ottawa)	383,717	3.12
Counties plus small separated cities (excluding Ottawa)	1,093,247	3.46
City of Ottawa	812,129	4.92
Total Eastern Ontario	1,905,376	4.07

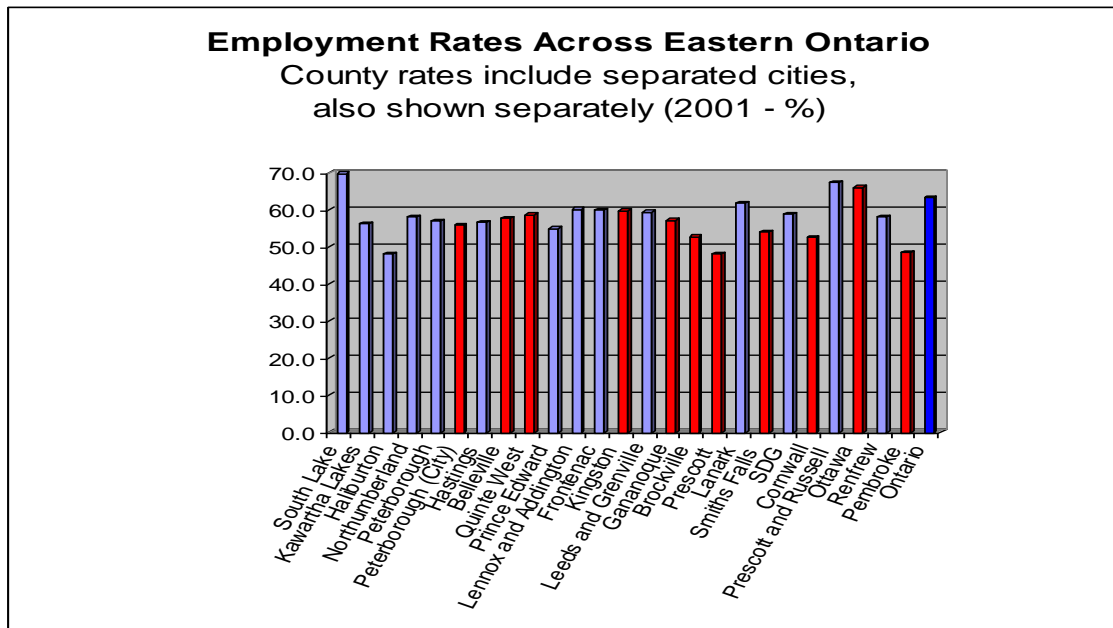
The density of this population is also a challenge for us. For our EOWC Inc. area, the density is only 17 persons/sq km. This compares to a density of 750 persons/sq km in the Greater Toronto Area and 4000 persons/sq km in the City of Toronto. The much lower density is an important cost factor in the provision of municipal services in the EOWC Inc. region.

The expansion of the region's economic base continues to be a key to the overall growth of our region.

Employment and Unemployment Rates

The *Regional Data Set* using the best available data at the time of preparation compared and contrasted both employment and unemployment rates across Eastern Ontario.

Employment:

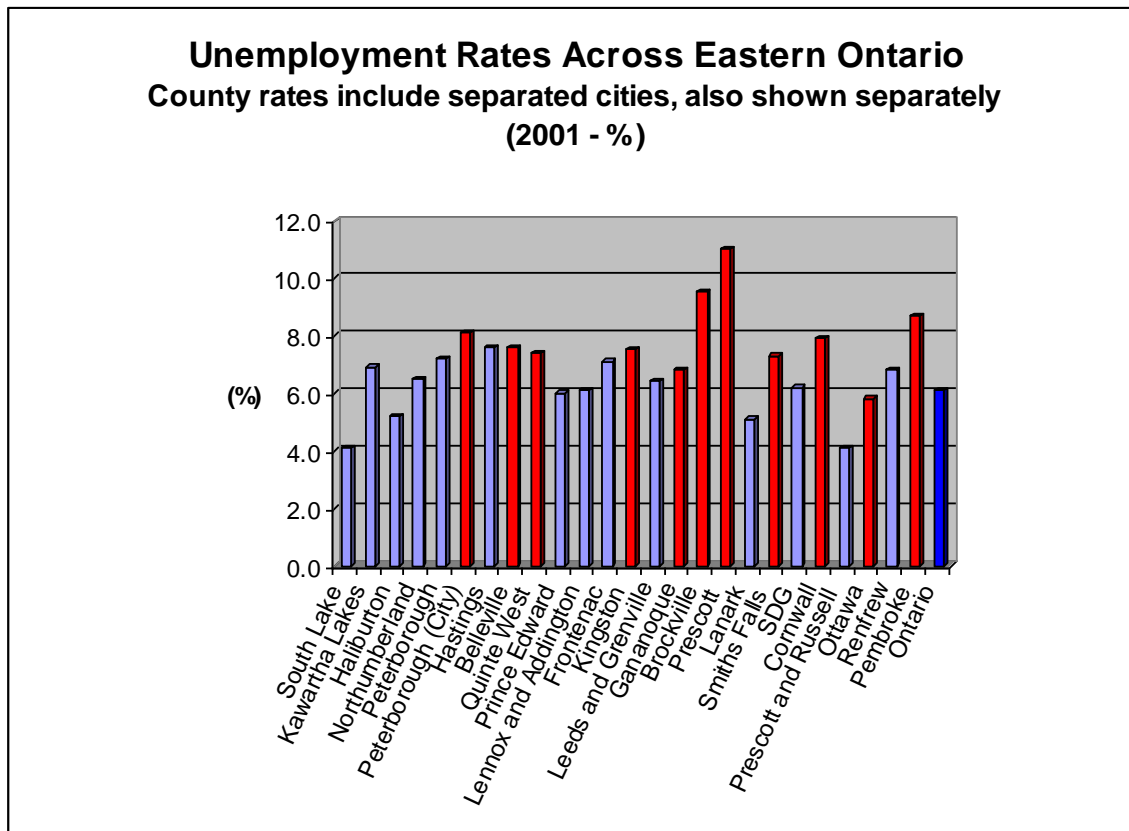


The employment rate is defined as the number of persons employed in the week (Sunday to Saturday) prior to Census Day on May 15, 2001, expressed as a percentage of the total population 15 years of age and over.

As the chart illustrates the employment rate varies across the Eastern Region from a high of 70% to a low of 48%.

Unemployment:

The unemployment rates for 2001 ranged from a low of 4.1 to 11%. Only six communities had unemployment rates lower than the provincial average of 6.1% while 18 had rates higher than the provincial average.



A further examination on a more inter-regional nature showed the following:

Jurisdiction	Unemployment Rate
Ottawa	5.5
Eastern Ontario	7.5
Kingston	5.0
Central Ontario	4.9

Income Levels

Chart 5.1.1 - Average Personal Incomes and Median Incomes in Rural Ontario

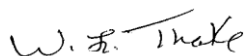
Jurisdiction	Average Earnings (all persons with earnings 2000)	Median Family Income (2000)	Difference Above/Below Provincial Average Individual Earnings
Toronto	\$ 37,833	\$ 76,951	\$ 2,648
Pickering	\$ 41,536	\$ 95,021	\$ 6,351
Ajax	\$ 38,105	\$ 88,183	\$ 2,920
Oshawa	\$ 33,007	\$ 80,036	-\$ 2,178
South Lake	\$ 34,666	\$ 79,109	-\$ 519
Kawartha Lakes	\$ 28,300	\$ 68,463	-\$ 6,885
Haliburton	\$ 21,594	\$ 52,055	-\$ 13,591
Northumberland	\$ 30,030	\$ 70,904	-\$ 5,155
Peterborough	\$ 28,990	\$ 69,417	-\$ 6,195
Peterborough (City)	\$ 28,574	\$ 69,487	-\$ 6,611
Hastings	\$ 27,183	\$ 64,443	-\$ 8,002
Quinte West	\$ 27,841	\$ 65,214	-\$ 7,344
Belleville	\$ 28,890	\$ 68,323	-\$ 6,295
Prince Edward	\$ 27,356	\$ 64,168	-\$ 7,829
Lennox & Addington	\$ 27,340	\$ 67,345	-\$ 7,845
Frontenac	\$ 30,299	\$ 74,377	-\$ 4,886
Kingston	\$ 30,600	\$ 75,317	-\$ 4,585
Leeds & Grenville	\$ 29,676	\$ 70,713	-\$ 5,509
Gananoque	\$ 26,799	\$ 68,724	-\$ 8,386
Brockville	\$ 29,499	\$ 68,543	-\$ 5,686
Lanark	\$ 30,803	\$ 72,145	-\$ 4,382
Smiths Falls	\$ 25,753	\$ 62,040	-\$ 9,432
SDG	\$ 27,852	\$ 66,410	-\$ 7,333
Cornwall	\$ 26,352	\$ 64,025	-\$ 8,833
Prescott and Russell	\$ 31,296	\$ 74,477	-\$ 3,889
Ottawa	\$ 39,713	\$ 92,672	\$ 4,528
Renfrew	\$ 27,113	\$ 64,219	-\$ 8,072
Pembroke	\$ 24,894	\$ 60,534	-\$ 10,291
Ontario	\$ 35,185	\$ 61,024	

With income levels well below the provincial average there is little available capacity for families to support existing municipal infrastructure and services much less any additional ones. Further these income numbers are not reflective of the impacts of the current global recession.

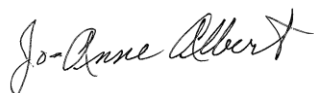
Respectfully submitted by:



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Bill Thake, Vice Chair
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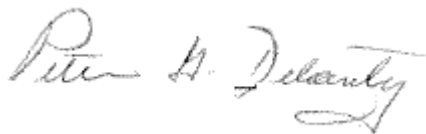
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