

January 17, 2024

Oxford County Council

Re: AMO Policy Update – Social and Economic Prosperity Review

As AMO has made clear, “new realities demand a new approach to the provincial-municipal fiscal relationship.”

It is true that the provincial-municipal fiscal relationship is shifting. For example, the Ontario Municipal Partnership Fund (OMPF) has made up less and less of the 75% of farmland taxes it was originally intended to offset. In addition, Long Term Care home costs are, in reality, health care costs that would be more appropriately borne by the Province’s Ministry of Health and other forms of taxation beyond property tax. The municipal costs of mental health, addictions and, of course, homelessness also have their roots in Provincial (and Federal) underfunding. Now, municipalities are forced to choose between funding *prevention* by stepping into the Province’s fiscal gap of mental health, addiction and housing or underfund these areas and still pay the price through increased police, fire and ambulance response. This, of course, says nothing of the courts, prison and hospital expenses borne by the “single taxpayer”.

The City of Toronto has reached a new financial deal with the Province, with the goals of advancing housing, transit and infrastructure to support economic development and growth as well as community safety. All of these initiatives are admirable and needed, but are in no way unique to Toronto. The City of Toronto New Deal is an acknowledgement that the current arrangement is not working for the City of Toronto, much like how the current arrangement is not working for Oxford County, either. Oxford residents are every bit as deserving of a “new deal” in order to tackle the same issues.

In Oxford, property taxes pay more than double what the Provincial and Federal governments pay for housing combined. We get a small amount of gas tax for transit and infrastructure, but neither our Community Safety & Wellbeing Plan nor Safe & Well Oxford receive any Provincial funding.

Oxford deserves a New Deal as well. I am writing to recommend that Oxford County Council pass a strong resolution in support of AMO’s advocacy – particularly the motion they have recommended – and communicate this support to the Western Ontario Warden’s Caucus (WOWC), the Association of Municipalities of Ontario (AMO), Oxford’s MPP, The Minister of Municipal Affairs and Housing as well as the Premier of Ontario.

Sincerely,



Marcus Ryan
Warden, Oxford County

AMO Social and Economic Prosperity Review

New realities demand a new approach to the provincial-municipal fiscal relationship

- Municipalities provide critical services that are central to Ontario's economy and quality of life, investing more than \$60B annually in important public services and infrastructure.
- The fiscal framework that enables municipalities to deliver infrastructure and services is broken – failing residents, small businesses and major industries.
- Long-standing structural problems have combined with growth pressures, economic factors, social challenges and provincial policy decisions to push municipalities to the brink.
- Last adjusted in 2008, a review of provincial-municipal financial arrangements is long overdue.
- AMO calls on Premier Ford to do what taxpayers expect – work together with municipal governments to modernize this partnership and build a solid foundation for economic growth and quality of life.

The municipal fiscal framework is compromising Ontario's economic and social prosperity

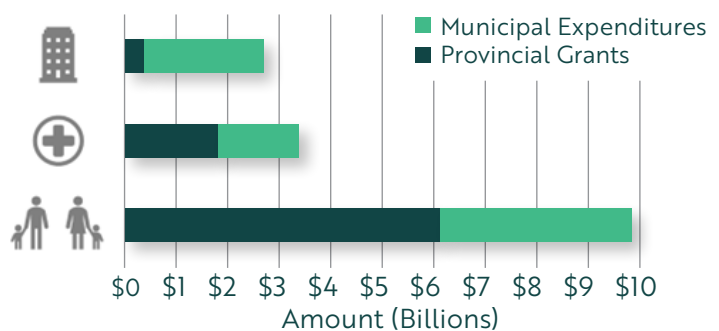
Municipal revenues do not grow with the economy or inflation

- Municipalities rely heavily on property taxes, which do not grow with the economy or inflation.
- In 2022, annual average inflation rate was 6.8% – leaving municipalities to contend with increased wages, construction costs, and interest rates without corresponding growth in revenue.
- Federal and provincial governments saw record revenue growth in 2022 driven by inflation and economic activity, with no inflation adjustments to most municipal grants such as the Ontario Municipal Partnership Fund (OMPF).

Municipal property taxes subsidize the provincial treasury by almost \$4 billion a year

- Nearly a third of municipal spending in Ontario is for services in areas of provincial responsibility – such as social housing, long-term care, public health, childcare and social services.
- Municipalities in Ontario provide services that typically fall under provincial jurisdiction in other provinces. **Provincial contributions offset these costs – but only in part.**
- In 2022, municipal expenditures in these areas outpaced provincial contributions by almost \$4 billion – a figure that is expected to grow in future years.
- This figure is not exhaustive, as the province continues to download costs in other areas.

For example, AMO estimates that municipalities and property taxpayers are currently on the hook for more than \$400 million in hospital capital and equipment costs that should rightfully be funded by the provincial treasury.



Current fiscal arrangements undermine municipalities' ability to invest in infrastructure

- Municipalities own and operate more public infrastructure than the provincial and federal governments – valued at nearly half a trillion dollars.
- The ambitious goal of 1.5 million new homes by 2031 depends on building essential municipal infrastructure and the public investment to support it.
- Bill 23 resulted in municipalities' having \$1 billion less to fund growth.
- Maintaining current assets in the face of climate change also brings growing costs. In 2021, the Financial Accountability Office estimated that the cost to bring existing municipal assets to a state of good repair was approximately \$52 billion.

Property taxpayers, including small business owners and seniors on fixed incomes, can't afford to pay for provincial costs

- Increasingly, municipalities are being asked to take on complex health and social challenges – like homelessness, supporting asylum seekers and addressing the mental health and addictions crises.
- Ontario's property taxes are already the second highest in the country.
- The property tax base was never meant to support income re-distribution.

Partners in prosperity: the province can invest more in Ontario's prosperity

Despite strong fiscal fundamentals, Ontario has underinvested for decades

- Ontario's spending per capita is the lowest in Canada at **\$11,974**
- Real per capita spending in children's and social services, education and post-secondary schools have all **declined by over 10%** since 2018
- Provincial deficit, debt-to-GDP ratios and the percent of revenues going towards interest payments are all at **10-year lows**.



- The Province is a key beneficiary of housing market.

» Provincial government's share of the purchase price of a new home has climbed steeply over the past 10 years – **increasing by 55%** compared to local governments' 13%.

» The housing market delivers the Ontario Government **\$4.4 billion** a year in Land Transfer Tax, in addition to HST collected on new houses.

A social and economic prosperity review

Ontarians expect their elected officials to work together effectively and respect their tax dollars.

We believe the time is right for a province-wide conversation where municipalities and the province come together to promote the stability and sustainability of municipal finances province-wide.

AMO is calling on the provincial government to commit to this review as part of the upcoming budget, with a view to developing a consensus report with recommendations by 2025.

Working together, we can build a better Ontario.