

February 8, 2023

The Honourable Peter Bethlenfalvy
Minister of Finance
c/o Budget Secretariat
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, Ontario M7A 1Z1

Dear Minister Bethlenfalvy:

Thank you for the opportunity to make a submission to the 2023 Pre-Budget process.

AMCTO represents excellence in local government management and leadership. With more than 2,100 members working in municipalities across Ontario, AMCTO is Ontario's largest voluntary association of local government professionals, and the leading professional development organization for municipal professionals.

As you will see from our submission, this year we offer a wide-angle lens to the challenges in front of the municipal sector, our communities and our residents. We have put forward recommendations for your consideration that favour a resilient future for municipalities, with provincial-municipal partnership at the forefront.

Our recommendations include:

- Provide financial support for municipal budget shortfalls due to reductions in development charges and other financial impacts resulting from Bill 23.
- Re-start the Municipal Modernization Program and Audit and Accountability Fund to focus on assisting municipalities with implementing projects that require upfront financial investment for long-term returns and efficiencies. Consider how these programs can also support municipal internship components, and provide municipalities with enough time to make proposals while reducing application and reporting burdens.
- Collect, analyze, and act on the recommendations put forward by municipal experts working in planning, finance, parks and recreation, and conservation authorities to address the significant unintended consequences identified, many of which will have a financial impact.
- Co-design solutions and collaborate with municipalities and municipal professionals to ensure that the Province understands local impacts and opportunities before introducing measures that affect Ontario's communities.
- Protect and expand existing funding sources and investigate additional funding sources that appropriately address the infrastructure gap and tie these to inflation.

We are always ready and willing to collaborate and co-design with the Province so that we can work together towards positive outcomes for residents across Ontario.

For any questions, please do not hesitate to contact David Arbuckle, darbuckle@amcto.com, who will be happy to assist.

Yours sincerely,



Elana Arthurs
AMCTO President

- cc. Steve Clark, Minister of Municipal Affairs and Housing
Deputy Minister Kate-Manson Smith, Ministry of Municipal Affairs and Housing
Greg Orencsak, Deputy Minister, Minister of Finance



AMCTO
THE MUNICIPAL EXPERTS

2023 Pre-Budget Submission

February 2023

Introduction

There has been enormous change over the last year for the municipal sector, between the provincial election in June, municipal elections in October, and even more so with the series of legislation introduced with cumulative impacts for municipalities. More and more, municipalities are being asked to do more with less, all while local experts have less opportunity to provide input on how to effectively achieve desired outcomes while limiting adverse impacts.

The 2023 budget represents an opportunity for the Province to invest in sustainable futures for municipalities and their residents and recommit to working collaboratively. Municipalities across the province strive for excellence in delivering services to their residents. Over the past generation, positive outcomes for communities have been achieved when the Province and municipalities and their staff work as partners in service to the infamous “one taxpayer”.

Given the unprecedented impacts to municipal financial sustainability, administration, governance, and operations, AMCTO’s pre-budget submission approach is different than in previous years. The focus of this submission is to bring a wide-angle lens to the challenges in front of the sector, our communities, our residents and indeed the Province itself particularly because of Bill 23 and the signals we are seeing and hearing about the future of municipalities in this Province. We offer recommendations for your consideration that favour a resilient future for municipalities, with provincial-municipal partnership at the forefront.

AMCTO and its members support efforts to build more homes to meet the needs of our growing population. We support the efforts to bring more attainable and affordable housing supply. However, municipalities cannot meet the challenges of today nor the opportunities of tomorrow with the rug being pulled out from under them.

Municipal Chief Administrative Officers, treasurers and financial directors, clerks and other municipal leaders cannot adequately plan when there is so much uncertainty, when it remains unclear where they will find the financial and human resources to address unprecedented losses, particularly in the face of increased resident demands and expectations.

Recommendations

We offer recommendations that are focussed and actionable to ensure that municipalities can be partners in securing a sustainable future for Ontario:

- Provide financial support for municipal budget shortfalls due to reductions in development charges and other financial impacts resulting from Bill 23.
- Re-start the Municipal Modernization Program and Audit and Accountability Fund to focus on assisting municipalities with implementing projects that require upfront financial investment for long-term returns and efficiencies. Consider how these programs can also support municipal internship components, and provide

municipalities with enough time to make proposals while reducing application and reporting burdens.

- Collect, analyze, and act on the recommendations put forward by municipal experts working in planning, finance, parks and recreation, and conservation authorities to address the significant unintended consequences identified in Bills 3, 23 and 39, many of which will have a financial impact.
- Co-design solutions and collaborate with municipalities and municipal professionals to ensure that the Province understands local impacts, challenges and opportunities before introducing measures that negatively impact Ontario's communities.
- Protect and expand existing funding sources and investigate additional funding sources that appropriately address the infrastructure gap and tie these to inflation.

As municipal experts, with financial, technical and leadership expertise, our members know that the cumulative impacts to municipalities have not always been considered when new legislation impacting the sector is introduced. Our recommendations speak to the need to work together, so that policy implications can be considered and unnecessary consequences which pose extra administrative burdens and costs on municipalities and the residents we all serve are limited.

Cumulative Impacts to Municipalities

The actions taken by the Province over the last few months in will have significant financial and operational impacts on municipalities and their municipal professionals. Taken together with the existing challenges of the municipal infrastructure gap, the added burden of ensuring climate resilient assets, the continued need to modernize and digitize services, increasing complexities of managing community well-being and public safety, homelessness and mental health, while continuing to provide traditional municipal services, impacts to municipalities are cumulative and significant.

Financial

Our colleagues at AMO have conservatively estimated that Bill 23 alone will have at least a \$5.1 billion impact on local communities in the coming years with no evidence that housing affordability will be improved¹: building new or renewing and making sustainable existing local infrastructure whether that be water and sewer systems, roads, bridges, parklands or numerous other critical infrastructure which the Province has dictated municipalities need to keep in a state of good repair through adequate financial and asset management planning. The impacts are likely to be higher as we have already seen from the analysis conducted by municipalities over the last few months.

¹ See AMO's Bill 23 Submission:
https://www.amo.on.ca/sites/default/files/assets/DOCUMENTS/Submissions/SC_HICP-LTR_AP_AMO_Submission_Bill%2023_More_Homes_Built_Faster_Act_20221116.pdf

Municipalities have limited revenue streams to cover the cost of providing services and operations. When municipalities talk about “revenue” it is not “surplus” monies but rather the funds needed to keep lights on, engines running, and programs delivered.

While more homes could potentially increase the amount of “revenue” a municipality collects, those revenues are collected after subdivisions or other developments have been built up and residents moved in. Other than development charges and potentially applying property tax revenues from existing properties in the municipality, funds are not always available to build the infrastructure necessary to service a new subdivision at the time of development such as roads, sidewalks, watermains, sewers, parklands, and fire hydrants.

Several municipalities have done preliminary analysis to estimate their revenue shortfall from Bill 23. For example, the Region of Peel estimates its revenue shortfall from development charges to be \$2 billion over the next 10 years², and the City of Mississauga stands to lose almost \$1 billion in revenue³, amounting to an operating budget increase of 8-10%, resulting in a proposed tax rate increase of 5.3%.

The Region of York estimates that \$180 million that would have been funded through development charges will have to be funded from the tax levy⁴, while local municipalities are expecting their own shortfalls, such as the City of Markham predicting \$1.65 million is needed for growth studies and reduced development charge collection impacts, as well as another \$1.7 million for the reduction of development cost funded salaries, resulting in a staff proposed tax rate increase of 6.4%⁵.

Until the details of regulations and any additional initiatives from the Province that may come forward are released, it is difficult for municipalities to determine the exact impact, and the necessary consequential increase in property taxes or user fees. As a result, some municipalities may defer any consideration for a more substantial increase until their next budget cycle.

Definitions of Affordable which Impact Collection of Development Charges

The definitions of attainable and affordable housing in the legislation are broad and are market dependent. Market rates are unpredictable and depend on several forces and considerations, none of which consider income. This means that as incomes rise unevenly, homes will never be attainable and affordable for many residents.

The disconnect here is even more concerning given the lack of alignment with federal definitions of affordable. The Canadian Mortgage and Housing Corporation (CMHC) defines affordable as: housing that costs less than 30% of a household’s before-tax income. This definition is one that many associations rely on. If the Province intends to

²[https://peelregion.ca/news/archiveitem.asp?year=2022&month=11&day=8&file=2022118.xml#:~:text=Bill%2023%20will%20have%20significant,DC\)%20to%20pay%20for%20growth](https://peelregion.ca/news/archiveitem.asp?year=2022&month=11&day=8&file=2022118.xml#:~:text=Bill%2023%20will%20have%20significant,DC)%20to%20pay%20for%20growth)

³<https://www.mississauga.ca/council/council-activities/council-advocacy/bill23/>

⁴<https://yorkpublishing.escribemeetings.com/filestream.ashx?DocumentId=37646>

⁵ [eSCRIBE Agenda Package \(escribemeetings.com\)](https://www.escribe.ca/agenda-package)

leverage whatever amounts of money is allotted to Ontario through the federal funds, then it would be beneficial to align provincial and federal definitions.

If the market defines affordability, then potentially any development could be labelled "affordable" which means that exemptions, discounts, or caps would need to apply to costs municipalities could recover to fund services in new developments.

Municipal Administrative Impacts

When sweeping changes are made to legislation impacting municipalities, it is important to examine all areas where there may be impacts to municipal administration and operations. Unfortunately, without comprehensive consultation, unintended consequences can slip by. For example, Bill 23 makes changes to the role of conservation authorities, including prohibiting a municipality's ability to request comment during the development review process on conservation and environmental matters besides flooding and erosion.

This means that rather than leveraging the expertise from conservation authorities, municipalities will have to rely on in-house expertise, thus downloading responsibilities onto local governments which may lack the resources and technical knowledge needed to ensure environmental oversight and sustainable development.

Similarly, section 29 of the *Accessibility for Ontarians with Disabilities Act (AODA), 2005* provides that Accessibility Advisory Committees shall review site plans and drawings, yet it takes time to make documents accessible, and it takes time to provide advice. And yet, because of various changes to local planning processes through Bills 109 and 23, municipalities may be penalized for approvals which do not meet certain timelines. There should be clear guidance provided by the Province on how to meet the various expectations they have set out in other pieces of legislation.

Housing as a Partnership between the Province, Municipalities and Development Sector

AMCTO is supportive of the Province's stated goal to increase the supply of housing in Ontario and we leave the technical discussions on housing and homelessness to our colleagues in other associations to provide comment. However, AMCTO must convey its concern for the position municipalities are being put in, and the standard held to as a result of recent legislation: focussing narrowly on local governments does not account for the many other factors that affect housing supply.

Bill 23 does not, for example, introduce provisions to incentivize developers to begin work on projects that have already received a building permit, tackle long-standing supply chain issues, or address labour shortages. While municipalities must develop pledges outlining how they will meet their assigned housing quotas, the development sector has not been held to the same requirements.

Looking Forward

As the Province has indicated it will soon be evaluating municipal structures in Ontario, the relationship between the Province and municipalities will become more important for local government professionals, who are subject to provincial policies, laws, regulations and financial transfer arrangements to carry out their work. A strong relationship is also critical for the residents they serve.

To re-build a strong relationship and act effectively for the people of Ontario, policy analysis and decision-making need to adhere to certain principles:

- Apply an integrated municipal lens considering governance, finance, operations, resources and consultation with integrated policy analysis and development across government.
- Promote strong, stable, and sustainable municipal administration that supports accountable and transparent local government, through clear roles and responsibilities as well as effective guidance for implementation and operationalization of federal and provincial mandates.
- Streamline and simplify administrative and reporting requirements with reasonable timelines so that municipal public servants can spend time and resources on delivering better, more efficient services while ensuring accountability to the Province and the communities they serve.
- Ensure municipal public servants can secure resilient futures for their communities through access to financial planning tools and resources, the reduction of costs, and appropriate funding opportunities.
- Modernize the legislative and regulatory environment to support and enable the work of municipal public servants, making it easier to understand, enforce and be innovative while ensuring policies and practices reflect current needs and situations and focus on outcomes.

As the province's largest voluntary association of municipal professionals, AMCTO members are on the front lines of local government policy and management issues. The recommendations contained in this submission are opportunities where the Province can work with the municipal sector to support a resilient future for all Ontarians.

Any discussion about improving governance at the local level must begin with principles for improving and maintaining a strong provincial-municipal relationship. This includes utilizing opportunities to collaborate, co-design and share best practices and lessons learned to inform legislation, policies, programs and services.

Relying on municipal public servants who have the knowledge and expertise of what is happening 'on the ground' in neighbourhoods across the province can lead to improved outcomes for our communities.