

**TOWN OF MINTO****DATE:** October 24, 2016**REPORT TO:** Mayor and Council**FROM:** Bill White, C.A.O. Clerk**SUBJECT:** AMO "What's Next Ontario" Resolution

STRATEGIC PLAN:

12.7 Demonstrate innovation in all aspects of municipal business acknowledging the importance of training, succession planning, transparency, communication and team-based approaches to municipal operations.

BACKGROUND

At the 2016 Association of Municipalities of Ontario conference in August, AMO staff presented information on a \$3.6 billion shortfall between municipal government revenues and expenses. This shortfall is expected even if municipal tax increases follow inflation for the next 10 years. This gap includes funding capital needs expressed in various Asset Management Plans across the Province, and is now referred to the Infrastructure Gap.

During the presentation AMO staff reviewed options currently available to municipalities including raising property taxes above inflation, increasing user fees or sharing services. Minto has done all three things in the last five years to help address its infrastructure gap. Between 2011 and 2016 the Town will have spent in the range of \$27 million on capital work, and has identified capital need for \$17.5 million through 2020. This is funded by a combination of tax supported capital, grants, borrowing and reserve contributions, but has impacted on reserve and borrowing amounts to the point where Town fiscal policies will be challenged in the future.

AMO believes the Province should help municipalities fund their infrastructure deficit by helping reduce costs by addressing joint and several liability and turning municipal savings into infrastructure contributions, increasing transfers to municipalities (which has been accomplished in various programs to some degree), and fixing arbitration processes that dramatically increased police and fire wages (not a serious budget impact in Minto). Beyond that AMO staff talked about options for unique revenue sources already used in Toronto being made to other municipal jurisdictions.

The City of Toronto Act provides Canada's largest municipality with a number of revenue generating tools not available to any other municipalities including authority to charge a levy for alcoholic beverages, entertainment and amusement, motor vehicle ownership registration, parking, road tolls and tobacco. This spring KPMG reported to the City of Toronto on how they might capture these taxes, and suggesting they seek new authority from the Province to implement a development levy, hotel tax, parking sales tax, municipal income tax (business income and personal income); and municipal sales tax. Even though these options are available, the issue is the impact on the economy of province wide municipal tolls and taxes.

AMO has set up an advisory committee to consider the fiscal gap and make recommendations on how it might be addressed. The “What’s Next Ontario” resolution below supports AMO’s initiative is provided for Ontario municipalities to support:.

WHEREAS recent polling, conducted on behalf of the Association of Municipalities of Ontario indicates 76% of Ontarians are concerned or somewhat concerned property taxes will not cover the cost of infrastructure while maintaining municipal services, and 90% agree maintaining safe infrastructure is an important priority for their communities;

AND WHEREAS infrastructure and transit are identified by Ontarians as the biggest problems facing their municipal government;

AND WHEREAS a ten-year projection (2016-2025) of municipal expenditures against inflationary property tax and user fee increases, shows there to be an unfunded average annual need of \$3.6 billion to fix local infrastructure and provide for municipal operating needs;

AND WHEREAS the \$3.6 billion average annual need would equate to annual increases of 4.6% (including inflation) to province-wide property tax revenue for the next ten years;

AND WHEREAS this gap calculation also presumes all existing and multi-year planned federal and provincial transfers to municipal governments are fulfilled;

AND WHEREAS if future federal and provincial transfers are unfulfilled beyond 2015 levels, it would require annual province-wide property tax revenue increases of up to 8.35% for ten years;

AND WHEREAS Ontarians already pay the highest property taxes in the country;

AND WHEREAS each municipal government in Ontario faces unique issues, the fiscal health and needs are a challenge which unites all municipal governments, regardless of size;

NOW THEREFORE BE IT RESOLVED that this Council supports the Association of Municipalities of Ontario in its work to close the fiscal gap; so that all municipalities can benefit from predictable and sustainable revenue, to finance the pressing infrastructure and municipal service needs faced by all municipal governments.

COMMENTS:

In June Council passed the Town’s Fiscal Accountability Policy along with its Code of Conduct and Transparency Policies. The Policy has the following general principles:

- Apply short and long term budgeting tools, financial plans and asset management practices to support infrastructure in a balanced and sustainable fashion
- Bring forward low to moderate user fee, rate and property tax increases that respect ratepayers ability to pay
- Show “value for money” by maintaining tangible capital assets and by pursuing partnerships with other municipalities, governments and other entities.
- Capital budget should look at asset management plans, five year needs, grant programs and the capacity to complete capital works when making decisions on projects.
- Sustain sufficient reserves to cover two years of operations or twice the annual tax supported budget (on track – current estimate about \$8.8 million)
- Ensure total annual borrowing is less than total annual reserves if possible and practical unless borrowing or reserves are needed to obtain senior government grant programs (on track – reserves \$8.8 million borrowing excluding lending to hospital below \$8.8)

It will be a challenge to continue to fund an added \$17.5 million in capital work through 2020 and comply with the Town's fiscal policy. The amount of annual capital needed to support asset depreciation and properly maintain infrastructure is between \$2.5 million and \$6.8 million annually. While increases in formula based infrastructure funding through OCIF has helped, and the Town has been successful in merit based applications through various programs, continuing to match and fund need infrastructure work is a huge challenge. To continue to work within the Town's fiscal policy, Council should support AMO's resolution to allow them to work with the Province toward "predictable and sustainable revenue".

FINANCIAL CONSIDERATIONS:

Future predictable and sustainable revenue to the Town will depend in part in AMO's success in talks with the Province. The Town should continue to assess its budget needs in context with its newly approved Fiscal Accountability Policy to protect the short and long term financial position of the Town.

RECOMMENDATION:

That Council receives the C.A.O. Clerk's October 24, 2016 report AMO "What's Next Ontario" Resolution, and that the resolution outlined be supported and forwarded to Association of Municipalities for Ontario.

Bill White, C.A.O. Clerk