



LRMC

Lakehead Rural
Municipal Coalition

Rural Action Plan

August 2021



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Introduction

The Lakehead Rural Municipal Coalition has been providing a minimum of two Rural Action Plans to the Provincial government (delivered prior to and/or at Municipal association conferences) annually, since January of 2017. Historically, the plan was organized by chapters, which corresponded to the Provincial Ministries responsible for the programs or activities addressed in those chapters. The Coalition scaled-down the Rural Action Plan considerably in 2020, after the onset of the COVID-19 Pandemic. The January, 2021 edition continued the narrower focus, as does this edition.

Coalition members believe, as do other Ontarians, that we are seeing the first glimmers of the light at the end of the COVID-19 tunnel - a tunnel we've been slogging through, together, along with the rest of the global population, since March, 2020. As more Ontarians are vaccinated, and fewer cases are reported (and those reported are increasingly less severe), our members are cautiously optimistic as we round out 2021 and head towards 2022.

Given the fact the global Pandemic is ongoing, it is understandable (albeit concerning) that unprecedented spending by senior orders of government continues. The LRMC is not the only organization concerned about the financial impact the Pandemic has placed on all orders of government. In its recently published report "Better Budgets: Bolstering the Fiscal Resilience of Ontario's Municipalities", the Ontario Chamber of Commerce points out:

Just as COVID-19's impact has had disproportionate effects on multiple sectors of the economy, the impact on all three levels of government has been unique as well, with Municipalities arguably experiencing the greatest hardship. (*insert citation - introduction, last sentence of first paragraph, page 5)

Why are Municipalities hardest hit? Quite simply, because Municipal councils have little to no control over large portions of their property-tax based budgets due to mandatory payments for services such as: land ambulance, social services, conservation authorities, local boards of health, and more. As the Ontario Chamber of Commerce report puts it:

The more restricted a government is in its ability to alter fiscal policy in response to changing circumstances, the more vulnerable they are to economic fluctuations. (*insert citation - introduction, first sentence of third paragraph, page 5)

LRMC Member Municipalities have been dealing with this reality for decades, and have been reporting on the increasing un-sustainability of the model in our "Rural Action Plan" editions. The COVID-19 Pandemic has simply shone a bright new light on this old problem.

As previous versions of the Rural Action Plan have clearly demonstrated, the taxation structure in Ontario required reform prior to the Pandemic. Now that the Pandemic has brought the economy to its knees, the need for financial reform is more evident than it has ever been.

In order to “build back better”, as Ontario aims to do, we will significant fiscal policy change. Improvement - making things “better” - won’t occur by carrying on with the status quo. Radical renewal is required.

The LRMC is not the only organization trying to make this point clear to the Province. Both the Ontario Chamber of Commerce, in its report (*cite) and Ontario 360 (consisting of the Urban Policy Lab, the Institute on Municipal Finance and Governance, and the University of Toronto), in its report (*cite), call on the Province to review how service delivery to Ontarians is funded.

“We are all in this together” has been the catch-phrase for Pandemic response. It now needs to be the catch phrase for Pandemic recovery.

The LRMC Member Municipalities present this edition of the Rural Action Plan, containing sincere and carefully considered recommendations for a brighter future for Rural Ontarians.

Members continue to look forward to a Provincial-Municipal relationship where the Province participates with its Municipalities as a “partner” rather than dictating to us as a “parent”.



Chapter One

Meetings, Communications and Consultations

Municipal Association conferences, such as those hosted by the Rural Ontario Municipal Association, the Ontario Good Roads Association and the Association of Municipalities of Ontario, provide venues for discussion and consultation between the Municipal and Provincial orders of government. These are welcome, and at each conference, 15-minute “delegation” meetings to discuss matters of Municipal/Provincial interest, are made available to the hundreds of Municipal delegate attendees over 2 or 3 days.

With due respect, 15 minutes’ time is insufficient for Municipal representatives to make their concerns known to Provincial representatives - and - more importantly - understood. While the time is appreciated, the reality of good communication - with delivery, listening, and understanding on both sides - means that more time is required. The fast-pace of multiple meetings with multiple Municipalities over 2-3 days resembles “speed dating”. It is exhausting for the representatives on both sides of the table, and, understandably, not the best communication tool.

The LRMC requested, repeatedly, over a number of months (that extended into more than two years), a meeting (of at least one hour’s duration) with four ministers (and their appropriate staff). The purpose of this request was to have been a proper presentation and explanation of the material that is in Chapter Three of this Rural Action Plan. The members were ultimately, very recently, granted a 15 minute virtual meeting with only 2 of the 4 ministers originally requested.

While our members accepted this appointment, again, with respect, 15 minutes was insufficient, and fell far short of what the LRMC members had been promised. Chapter Three contains extremely detailed information with well-founded mathematical analyses. The very valuable information in tables and charts is not easy to decipher. The LRMC members are more than willing and able to explain the analyses in detail - *but have never been afforded an appropriate opportunity to do so*. The LRMC members continue to believe that, given dedicated time, the inequities in the current fiscal realities for Ontario’s Municipalities could be properly demonstrated and explained.

In the meantime, other Provincial actions have continued to take place with what LRMC members feel is inadequate communication to, or consultation with, Municipalities impacted.

As one simple example, of many, recent roadside spraying of a pesticide took place on Provincial highways running through some of our members’ geographic areas, unbeknownst to our members’ councils. Calls from concerned residents come first to the Municipality, and

both the staff members and the locally elected representatives were taken completely off-guard. While pesticide use may be appropriate and called-for, the Province was spraying “right next to” bee keepers and farmers who had no idea what was going on, or what was being sprayed - and Municipal representatives who were contacted also had no answers to provide. This isn’t good service to Ontarians in general, and does not demonstrate a good Provincial-Municipal relationship.

Appropriate and effective communication and consultation is tough. As the operators of local government, the LRMC Member Municipal councils understand that. One of the most consistent complaints from constituents is that “they didn’t know”. This is despite social media, websites, newsletters, posted bulletins, mailed notices, etc. It is so difficult to properly and effectively get pertinent information to those that need it.

The staff in small, rural, northern Municipalities are already over-worked, so sending out communication via email, while it seems to be the preferred Provincial mechanism, is also not effective. The barrage of emails received from numerous sources, daily, is simply not manageable.

So, what is the answer?

This is an age-old issue, but that does not mean it cannot be resolved. Communication is key to Provincial-Municipal relations: which makes Provincial-Municipal communication key to Municipalities’ relations with their constituents (who are, ultimately, the Province’s constituents).

RECOMMENDATION: Grant the LRMC the *full* meeting it has long sought with the Ministers of Finance, Municipal Affairs and Housing, Agricultural, Food and Rural Affairs, and Energy, Northern Development and Mines, and their staff, to allow a thorough presentation, with follow up discussion, of the information set out in Chapter Three of this Action Plan.

RECOMMENDATION: Work with Ontario’s Municipalities, particularly small, rural Municipalities like the LRMC members, on appropriate and effective methods to communicate with, consult with, and meet with, representatives of Ontario’s many Municipalities.



Chapter Two

Addressing the COVID Toll

This global Pandemic continues to require, understandably, government spending that is leading toward record deficits at both the Provincial and Federal levels. Tackling these deficits will be challenging and will require out-of-the-box thinking.

COVID also revealed problems that have been evolving for generations in Ontario's homes for the aged and our health care system in general. Lack of staffing and funding in care homes lead to illness and death that was avoidable. It is also known that the homeless population is largely comprised of persons with mental health and addiction problems that have, for many years, been swept under the rug. The homeless population and the population of residents of long term care homes were most vulnerable to COVID-19.

Both of these issues will be very expensive to address, adding to the financial stressors already in place. Yet they must be addressed.

The LRMC respectfully submits that two courses of action are needed to get the Province's finances back in order, and to "build" the long term care home system and the health and social services systems "back better".

Core Service Review

Firstly, the Province needs to undertake a "core service review" to recognize which areas of service require additional resources, and which can take a back seat - either temporarily or permanently, to allow for proper levels of investment where they are required. The review must also include an examination of "who should do what?", and "at what cost?"

A simple example is the current "system" requiring paramedics to deliver persons experiencing mental health or addiction issues to hospital emergency rooms. As the LRMC has pointed out in prior versions of the Rural Action Plan, hospital emergency rooms are not the appropriate destinations for persons in mental health or addiction crises. Savings gleaned from reductions in some services can be used, in part, for appropriate investment into proper mental health and addictions treatment and to make the long term care home situation far improved from its current woeful state.

LRMC Member Municipalities believe that Rural Ontario has a role to play in providing sustainable and, more appropriately, suitable long term care. Rural seniors are,

understandably, loathe to leave their homes to be forced to the cities nearby, where the only long term care options (for the most part) exist. This can and should change.

The core service review should also include the financial “practicalities” of Provincial policies that impact Municipalities. Some Provincially mandated Municipal requirements in the past have required spending thousands on consulting firms for things like asset management plans, when the money could have been more wisely spent on service delivery, infrastructure investment or reserve funds.

A considerable contribution to this problem is that the Province continues to approach Municipalities with a “one size fits all” lens, which is inappropriate. Small Municipalities (with populations under 10,000 people) that are rural in nature (little to no commercial/industrial tax base) are particularly unfairly treated through this approach.

The amount of savings that could be derived from a proper core service review is considerable.

Core service reviews are not easy. They require governments to be realistic and to turn away from certain lobbyist groups that will argue against corrective measures. The government needs to be strong, and keep an eye on the “big picture” rather than individual programs that may benefit some, but may, indeed, not be able to be sustained.

A core service review is not the same thing as implementing “austerity measures”. Quite the contrary - it is a review of “proper” spending. While there would be less spending in some areas (and perhaps no spending at all in some areas), it would not involve spending cuts across the board, as “austerity” reductions would require.

Ontario 360 suggests:

Rather than conduct a full-scale review...a review of Provincial-Municipal responsibilities should focus on health and social services, particularly public health, ambulance services, long-term care, social housing, social assistance, and child care.
(*cite, page 22)

The LRMC generally disagrees on scaling down the core services review, however, it does agree that these are some of the key problems, and that they need to be addressed as soon as possible. The LRMC is in total agreement with Ontario 360, however, when it states that:

Municipalities should be equal partners in any review and co-creators of the ultimate policy decisions. A collaborative approach, while more time-consuming and more complex, allows for the consideration of local concerns and best practices and ensures greater buy-in when a final agreement is reached. (*cite, page 16)

In the footnote to this statement, citing several sources, Ontario 360 continues:

A review would also be an opportune time to consider how to reduce unilateral Provincial intervention in future. (*cite, page 16, footnote 34)

Address Financial Inequities

Secondly, an overhaul of the division of financial responsibilities between the Province and Municipalities will help the Province by directing tax dollars appropriately. Ontarians, and especially rural Ontarians, know and understand the difference between Provincial tax system dollars and property tax dollars. The former were historically meant to pay for health services (among other things) and the latter for the services that are offered directly by their local Municipalities. Over the past few decades, property taxes have increasingly been used to pay for health care services while Provincial tax system dollars have been diluted by being spent on other, less important, Provincial “services”.

The Ontario Chamber of Commerce puts it this way:

While local governments are mostly responsible for direct services such as roads and libraries, their portfolio of distributed services - such as public health and social services - has been growing as higher tier governments have increasingly downloaded responsibilities onto them. (*cite, page 15)

Both Ontario 360 and the Ontario Chamber of Commerce invoke a principle called “pay-for-say” in their papers. This principle is attributed to a paper by Harry Kitchen and Enid Slack, prepared in 2013, through the Institute on Municipal Finance and Governance, University of Toronto, entitled “More Tax Sources for Canada’s Largest Cities: Why, What and How?”. It is described in the Ontario 360 paper as:

The pay-for-say principle means that if a government has input into how a service functions, it should also have a corresponding responsibility to pay for the service... The more a service needs to be standardized and regulated at the Provincial level, the more it should be funded at that level. (*cite, page 17)

Property taxes are based on the relatively “artificial” notion of property value assessment. Value assessment occurs at a snapshot point in time which can change quickly - in one direction or another. Further, as pointed out by Ontario 360:

A low-income person may live in a house that has appreciated in value over several decades, while a high-income person may live in a modest house that does not reflect their wealth. The better way to redistribute from the rich to the poor is through a progressive income tax or a widely distributed (e.g. regional, Provincial or federal) wealth tax. (*cite, page 19, footnote 46)

The LRMC is appreciative of the Ontario Chamber of Commerce's perspective, as well as that from Ontario 360, however, the LRMC encourages the Province to listen to its small, rural and northern Municipalities, who have a unique perspective. The Chamber comes at their view through the business lens, and Ontario 360's lens leans more to larger, urban Municipalities (based on its sources and citations). Some of those perspectives meld with those of small, northern, rural Municipalities and some do not. As pointed out by Ontario 360:

...of Ontario's 444 Municipalities, 267 have a population of less than 10,000 and 192 have a population of less than 5,000. The smallest Municipalities have relatively few employees and often a very small non-residential tax base ... (*cite, page 20)

These variations mean that the Province has to consider more than just an urban voice or a business voice when considering the issues raised in this Rural Action Plan. As Ontario 360 puts it, it may "necessitate the creation or further development of asymmetrical cost-sharing arrangements that take into account the needs, costs, and fiscal capacity of specific municipalities in different regions" (*cite, page 20).

The LRMC respectfully submits that Ontario was built on rural roots, which need to be considered, appreciated and heard. Our data is accurate and our conclusions should set off alarm bells. At the very least, our data is worthy of proper consideration in "building back better".

The LRMC's suggestions regarding tax reform are addressed more fully in Chapter Four of this version of the Rural Action Plan.

RECOMMENDATION: Complete a core service review of all Provincial programs, and re-align funding appropriately.

RECOMMENDATION: Overhaul the Province's downloaded service costs to remove all health care and social services funding from the Municipal tax burden, further detailed in Chapter Four of this Rural Action Plan



Chapter Three

The Ontario Municipal Partnership Fund (“OMPF”)

3.1 Executive Summary

In 1998, the Provincial Government undertook a major realignment of service responsibilities. Municipalities became responsible for a number of social and health services as well as policing, but received funding to offset the cost so the realignment would be “revenue neutral.”

Today, some 23 years later, the 1998 realignment remains largely intact, but it is far from being revenue neutral to Municipalities. Health and social service costs borne by most Municipalities exceed the revenue that they receive through the Ontario Municipal Partnership Fund (“OMPF”). In recent years the “gap” has been widening - OMPF continues to decrease while health and social service costs continue to increase.

Furthermore, the use of: (1) property assessment, and (2) household income, as the major determinants in calculating OMPF funding and health and social service levy amounts penalizes some Municipalities, particularly small rural Municipalities, while favouring some Municipalities, particularly small urban Municipalities. Table A, below, illustrates the disparity in funding for Municipalities in the Thunder Bay District.

Table A: Disparities in OMPF Funding for Thunder Bay District Municipalities

Municipality	LRMC	2021 OMPF	2017 OMPF	2021 minus 2017	% change
Manitouowadge	No	1,714,700	1,674,000	40,700	2.43%
Nipigon	No	1,049,000	1,049,000	0	0.00%
Red Rock	No	637,500	643,100	(5,600)	-0.87%
Greenstone	No	2,087,600	2,244,100	(156,500)	-6.97%
Marathon	No	1,707,000	1,835,000	(128,000)	-6.98%
Schreiber	No	793,200	860,600	(67,400)	-7.83%
Terrace Bay	No	862,100	943,000	(80,900)	-8.58%
Thunder Bay	No	19,526,100	22,259,200	(2,733,100)	-12.28%
Gillies	Yes	176,500	204,900	(28,400)	-13.86%
Conmee	Yes	203,300	246,100	(42,800)	-17.39%
Shuniah	Yes	853,000	1,077,300	(224,300)	-20.82%
Oliver Paipoonge	Yes	909,400	1,217,300	(307,900)	-25.29%
Dorion	No	96,900	133,800	(36,900)	-27.58%
O'Connor	Yes	155,400	217,800	(62,400)	-28.65%
Neebing	Yes	518,200	738,300	(220,100)	-29.81%

The data clearly shows the rural Municipalities in the Lakehead Rural Municipal Coalition have experienced the largest reductions in OMPF along with Dorion, which is also a small, rural Municipality. The Municipalities with the smallest cuts in OMPF are small urban Municipalities. Table B, below, shows the difference between OMPF funding and health and social service costs for Municipalities in the Thunder Bay District.

Table B: Social Services Cost vs. OMPF

Municipality	2020 OMPF	2020 TOTAL Levies	Net Benefit OMPF minus Levies	# of Households	Net Benefit per Household
Manitouwadge	1,716,400	605,739	1,110,661	1,214	914.88
Red Rock	637,500	246,693	390,807	444	880.20
Schreiber	807,300	334,118	473,182	670	706.24
Nipigon	1,049,000	610,394	438,606	804	545.53
Marathon	1,721,500	1,115,105	606,395	1,643	369.08
Terrace Bay	858,800	585,407	273,393	893	306.15
Gillies	173,800	149,416	24,384	214	113.94
Conmee	201,200	241,588	(40,388)	327	(123.51)
Greenstone	2,144,400	2,841,309	(696,909)	2,930	(237.85)
O'Connor	158,900	233,844	(74,944)	272	(275.53)
Dorion	103,100	160,790	(57,690)	174	(331.55)
Neebing	538,300	989,808	(451,508)	1,166	(387.23)
Shuniah	850,300	2,330,351	(1,480,051)	2,130	(694.86)
Oliver Paipoonge	894,900	2,906,560	(2,011,660)	2,379	(845.59)
Thunder Bay	18,811,300	88,999,577	(70,188,277)	50,388	(1,392.96)
	30,666,700	102,350,699	(71,683,999)	65,648	(453.06)

The data demonstrates that small urban Municipalities are faring much better than the rural Municipalities, e.g., Manitouwadge is getting \$1.11 million more in OMPF grants than it pays out in Social Service costs, whereas Oliver Paipoonge is paying \$2.01 million more in Social Service costs than it receives in OMPF funding. The difference between the two Municipalities equates to approximately \$1,760 per household, which means Manitouwadge has \$1,760 more per household to apply to other areas in its budget.

Formulae used to calculate the levies that Municipalities pay to external agencies (social service administration boards, district health units, conservation authorities, land ambulance services, etc.) rely on a variety of input statistics that often don't make rational sense.

One such input statistic is property value assessment. A Municipality which has a relatively high property value assessment does not mean that the Municipality is in a financially superior position to others. What it means is that its residents pay higher housing costs, and higher levies to health and social service agencies. It does not mean these costs are necessarily more affordable to residents in higher-valued homes.

Another statistic used is household income. This is a poor measure of financial capacity, since it does not take into account the number of persons living off that household income. A family of 5 with one parent working is not the same as a family of 5 with two parents working. Per capita income would be a better measure of financial capacity.

Small, rural Municipalities typically have no local presence (offices, housing units, ambulance stations, etc.) of the health and social service providers to which they pay levies.

Municipalities that do have such local presence enjoy 3 major advantages:

1. access to service locally (i.e. in-town influenza or COVID-19 vaccination clinics);
2. property taxes and/or rent and/or water & sewage system revenues from those facilities; and
3. local employment and business activity.

Since they do not have any local presence of externally funded agencies, rural Municipalities get none of these benefits.

It is not fair or sustainable for some Municipalities to receive less funding, pay more costs and get less service than other Municipalities.

3.2 The Problems

For many years the LRMC has been highlighting in its Rural Action Plan the inadequacy of the OMPF received from the Provincial Government when compared to the levies paid to third party service provider agencies. While the Provincial Government continues to review the OMPF Program, rural Municipalities like those in the LRMC, year after year continue to see third party service provider agency levies exceed OMPF funding. The gap is widening exponentially now that OMPF is reduced annually, yet agency levies are increased annually.

Here are some examples:

- In July 2020, LRMC members received notification from Superior North Emergency Medical Services (“SNEMS”, the land ambulance/paramedic service agency) that its previously announced (and budgeted-for) levies would rise (in the middle of the budget year), due to increased WSIB costs.
- In 2019, LRMC members received notification from the Thunder Bay District Health Unit that levies would go up 10% in 2020 and could be rising by as much as 42% for some members, in 2021.

Small rural Municipalities cannot just “dig deeper” to pay more, especially in the middle of a budget year, to the outside agencies that they are required to fund, yet have no control over spending or budgets.

In the meantime, the Province has been cutting OMPF funding by 10% per year. For 2021, due to the COVID-19 Pandemic, the Province has maintained the OMPF funding envelope at 2020 levels. While this is appreciated, there are two concerns. Firstly, the 2020 levels were, as demonstrated, insufficient. Secondly, we anticipate the policy of progressively reducing OMPF will continue once the Pandemic ends.

As one can understand, this trend is not financially sustainable for the LRMC Municipalities.

Another problem with the OMPF results from the formula by which the Province determines the actual amount of the grant that the different Municipalities receive. That formula is overly complex, and results in patent unfairness amongst Municipalities. This is explored below in Section 3.4.

3.3 The History of the OMPF

Back in 1998, the (then) Provincial government realigned service responsibility between it and Ontario's Municipalities through an initiative titled "Local Services Realignment" ("LSR"). The Province took \$2.5 billion in education tax off of property tax bills and put \$3.0 billion onto property tax bills to fund services including OPP policing and certain health and social services. In order to make the transfer "revenue neutral" to all Municipalities, a \$0.5 billion funding program, called the Community Reinvestment Fund ("CRF"), was established and provided to Municipalities.

The CRF was re-titled the OMPF several years ago.

Now, twenty-three years later, the entire picture has changed. The purported objective of the OMPF, the CRF's replacement, is to support Municipalities with the greatest need. Responsibilities downloaded in the LSR initiative are now detached from the OMPF. Rather than being revenue neutral for all, under the current arrangements some Municipalities are "revenue positive" while others are "revenue negative," and the "gap," the difference between OMPF and the cost of downloaded services, between the winners and losers is widening.

3.4 Unfairness Built in to the Formula

For the fifteen (15) Thunder Bay District Municipalities, there are tables included in this chapter of the Rural Action Plan (Schedules A and B, and CA, CB and CC, presented and described on the following pages) which outline the situation with OMPF, third party agency levies, and related aspects, and demonstrate the inequities between the provision of the OMPF and the costs borne by the Municipalities that receive the OMPF. The small, urban Municipalities on the north shore of Lake Superior are getting far more money from OMPF than they pay out in levies, while most of the rural Municipalities pay more money in levies than they get from OMPF. This OMPF windfall enables some small urban Municipalities to

fund other areas in their budgets, while at the same time keep their tax levies lower than that of rural Municipalities.

The LRMC respectfully requests that the Province correct the errors made in distributing the tax burden between property and Provincial taxes. To do this, the Province must re-assume responsibility for the health and social services downloaded to Municipalities in 1998. These Provincially-mandated services have nothing to do with the local services provided by Municipalities that are appropriately funded with property tax revenue. Further, Municipal councils have absolutely no control over increased spending by the external agencies that continue to demand more and more from the property taxpayers. This is explored further in Chapter Four of this Rural Action Plan.

The LRMC has previously provided analyses of financial and statistical data to the Province that clearly demonstrate the current practices are grossly unfair to rural Municipalities. Unfortunately, the delegation meetings at various conferences (ROMA, OGRA and AMO) do not allow sufficient time for our members to review the data with Ministers. If time allowed, our members are confident that the explanation could be properly undertaken so Provincial officials would be as convinced as our members are that change is both necessary and beneficial.

The key factor in the inequity of the OMPF funding formula is the use of weighted assessment and household income as determinants in setting both OMPF allocations and third party service agency levies. This formula works against rural Municipalities. The use of the same two determinants for infrastructure grants also penalizes the rural Municipalities. On the other hand, the use of these determinants highly favours small urban Municipalities.

This Rural Action Plan, once again, provides the Province with updated analyses that continue to demonstrate the points made. Using information from the 15 Municipalities in the District of Thunder Bay, three sets of data analyses are re-presented in this Report to illustrate the gross unfairness the OMPF formula wreaks on rural Municipalities. Following that is a critique of the use of weighted assessment and household income as the key determinants in setting OMPF allocations and third party service agency levies. Lastly, there is a discussion on the lack of fairness for rural Municipalities due to the absence of services in their communities although they pay more than the small urban Municipalities for those services.

Schedule "A"

Schedule A, on the next page, shows OMPF over the 5-year period 2017 to 2021. It has an easily recognizable pattern. Municipalities that are truly rural in nature, which comprise five of the six LRMC members, together with Dorion, have experienced the greatest OMPF grant reductions. Thunder Bay, the sole large urban Municipality, is in the middle. The small urban

Municipalities north of the Lake have seen the lowest OMPF reductions. Manitowadge has even seen an increase while Nipigon has not seen a cut.

Schedule A: OMPF for Thunder Bay District Municipalities

Schedule A - OMPF for Municipalities in the District of Thunder Bay									
Municipality	LRMC	2021 OMPF	2020 OMPF	2019 OMPF	2018 OMPF	2017 OMPF	2021 minus 2017	% change	
Manitouwadge	No	1,714,700	1,716,400	1,718,100	1,718,100	1,674,000	40,700	2.43%	
Nipigon	No	1,049,000	1,049,000	1,049,000	1,049,000	1,049,000	0	0.00%	
Red Rock	No	637,500	637,500	639,400	640,600	643,100	(5,600)	-0.87%	
Greenstone	No	2,087,600	2,144,400	2,199,300	2,252,200	2,244,100	(156,500)	-6.97%	
Marathon	No	1,707,000	1,721,500	1,787,600	1,853,300	1,835,000	(128,000)	-6.98%	
Schreiber	No	793,200	807,300	820,400	833,700	860,600	(67,400)	-7.83%	
Terrace Bay	No	862,100	858,800	885,300	908,200	943,000	(80,900)	-8.58%	
Thunder Bay	No	19,526,100	18,811,300	19,321,500	20,478,500	22,259,200	(2,733,100)	-12.28%	
Gillies	Yes	176,500	173,800	181,600	190,600	204,900	(28,400)	-13.86%	
Conmee	Yes	203,300	201,200	211,500	225,200	246,100	(42,800)	-17.39%	
Shuniah	Yes	853,000	850,300	872,700	969,600	1,077,300	(224,300)	-20.82%	
Oliver Paipoonge	Yes	909,400	894,900	986,100	1,095,600	1,217,300	(307,900)	-25.29%	
Dorion	No	96,900	103,100	112,100	121,500	133,800	(36,900)	-27.58%	
O'Connor	Yes	155,400	158,900	176,500	196,100	217,800	(62,400)	-28.65%	
Neebing	Yes	518,200	538,300	598,100	664,500	738,300	(220,100)	-29.81%	

Schedule “B”

Under the service realignment imposed by the Provincial Government in 1998, Municipalities were given responsibility for policing and certain health and social services costs but were given funding from the “Community Reinvestment Fund” to offset the costs. There was not supposed to be any impact on Municipal finances; the service realignment was to be “revenue neutral.”

Using 2020 data, Schedule B, on the following page, illustrates that the current situation is far from being “revenue neutral.” Other than Greenstone, all of the Municipalities north of Lake Superior are enjoying surpluses. Meanwhile, other than Gillies, all of the LRMC Municipalities have deficits. The City of Thunder Bay is an anomaly; unlike the other 14 Municipalities, the City has its own police force, which accounts for nearly 67% of its total cost, as the Schedule illustrates.

Schedule B: OMPF versus Levies & Policing for the Thunder Bay District Municipalities

Schedule B - Analysis of 2020 OMPF & Levies

Municipality	LRMC	A 2020 OMPF	B TBDSAB Levy	C SNEMS Levy	D TBDHU Levy	E Police Costs	F 2020 TOTAL Levies	G (A - F) Net Benefit OMPF minus Levies	G1 # of Households	G2 Net Benefit per Household	H (G/F) Net Benefit % of T. Levies
Manitouowadge	No	1,716,400	59,816	40,041	50,365	455,517	605,739	1,110,661	1,214	914.88	183.36%
Red Rock	No	637,500	44,012	29,461	21,888	151,332	246,693	390,807	444	880.20	158.42%
Schreiber	No	807,300	52,184	34,937	27,818	219,179	334,118	473,182	670	706.24	141.62%
Nipigon	No	1,049,000	112,135	75,071	36,957	386,231	610,394	438,606	804	545.53	71.86%
Marathon	No	1,721,500	177,961	119,135	75,518	742,491	1,115,105	606,395	1,643	369.08	54.38%
Terrace Bay	No	858,800	137,304	91,917	37,387	318,799	585,407	273,393	893	306.15	46.70%
Gillies	Yes	173,800	45,565	30,510	11,689	61,652	149,416	24,384	214	113.94	16.32%
Conmee	Yes	201,200	79,649	53,319	17,820	90,800	241,588	(40,388)	327	(123.51)	-16.72%
Greenstone	No	2,144,400	772,787	517,330	96,174	1,455,018	2,841,309	(696,909)	2,930	(237.85)	-24.53%
O'Connor	Yes	158,900	85,075	56,948	16,244	75,577	233,844	(74,944)	272	(275.53)	-32.05%
Dorion	No	103,100	56,506	37,834	6,561	59,889	160,790	(57,690)	174	(331.55)	-35.88%
Neebing	Yes	538,300	389,894	261,009	51,940	286,965	989,808	(451,508)	1,166	(387.23)	-45.62%
Shuniah	Yes	850,300	899,172	601,923	66,179	763,077	2,330,351	(1,480,051)	2,130	(694.86)	-63.51%
Oliver Paipooonge	Yes	894,900	951,333	636,849	144,362	1,174,016	2,906,560	(2,011,660)	2,379	(845.59)	-69.21%
Thunder Bay	No	18,811,300	16,069,422	10,757,279	2,552,642	59,620,234	88,999,577	(70,188,277)	50,388	(1,392.96)	-78.86%
Totals		30,666,700	19,932,815	13,343,563	3,213,544	65,860,777	102,350,699	(71,683,999)	65,648	(453.06)	-70.04%

Schedule “C”

There are three versions of Schedule “C” - “Comparison of 2016 Census and 2019 FIR Information for Thunder Bay District Municipalities” - shown on pages 20, 21 and 22.

Schedule C contains a lot of information on 14 of the 15 Thunder Bay District Municipalities that demonstrates that the rural Municipalities are far worse off than their small urban and urban counterparts. (Data for the Township of Nipigon data was not available.) The FIR and OMPF data are from 2019, while the Census data are from 2016. The data has been sorted by different parameters to highlight certain aspects of the overall situation. That is why there are three versions.

Version A (Page 20)

The OMPF formula uses household income to rank Municipalities. Using this statistic is flawed on a variety of levels, but for one thing, it does not take into account the number of people who live off of that household income. \$50,000.00 annually for a single person goes a lot farther than does \$50,000.00 annually for a family of four.

Version A of Schedule “C” is sorted by per capita income. The table shows small urban Municipalities like Schreiber, Manitouwadge, Terrace Bay and Marathon, that have high OMPF grant funding per household because they have moderate household income, have per capita income which is well over the median of the 15 Municipalities. On the other hand, rural Municipalities like Oliver Paipoonge, O’Connor and Conmee, that have low OMPF grant funding per household, because they have high household income, have per capita income under the median of the 15 Municipalities.

Version B (Page 21)

Version B is sorted by Residential and Multi-Residential Taxation per household. Residential and Multi-Residential Taxation per household is a better measure of impact on households than Total Taxation per household, since the latter takes into account taxes paid by businesses. This can include taxes paid by large corporations. Rural Municipalities like the LRMC members have high rates of taxes per household. They have little to no businesses in their jurisdictions.

Residential and Multi-Residential Taxation per household as a Percentage of Total Taxation is a telling statistic. Obviously, the burden on residential taxpayers is higher if there are fewer other types of taxpayers. Consider the Greenstone example. Greenstone gets nearly 50% of its tax revenue from TransCanada Pipelines, so it has the lowest Residential and Multi-Residential Taxation per household. On the other hand, the LRMC Municipalities rely the most on residential taxpayers.

Version C (page 22)

Version C is sorted by Total Expenses per household. Total Expenses per household is a measure of how much a Municipality spends. LRM C Municipalities are the lowest spenders, whereas Municipalities north of Lake Superior, amongst the highest OMPF grant recipients, are bigger spenders. The City of Thunder Bay is an anomaly - as a large urban Municipality, it is mandated to provide additional services, such as a long-term care home, that result in increased spending.

Compensation Expenses per household correlates fairly well with Total Expenses per household. LRM C Municipalities are the lowest spenders. As has been demonstrated in this Rural Action Plan, the small urban Municipalities have more financial resources than LRM C Municipalities to utilize, since they receive more OMPF grant funding, yet pay lower levies to third party service providers. Manitouwadge operates a golf course and Marathon has an indoor swimming pool. Spending more on employees can generate advantages. Terrace Bay employs community service personnel who have been very successful getting large government grants to do various community redevelopment projects over the years.

Schedule "C" Conclusions

The versions of Schedule "C" demonstrate clearly that weighted assessment and household income are poor determinants of financial capacity. The use of weighted assessment as a determinant is, in the LRM C's respectful submission, a major flaw of the current system. In the OMPF formula, high assessment is viewed as an advantage to a Municipality since it supposedly indicates more tax revenue potential. The Province must recognize that high assessment does not mean property owners are able to pay more Municipal tax. It does not distinguish between residential and other, e.g., commercial, industrial, etc., assessment. Taxes generated by the latter assessment types do not come out of the after-tax incomes of Municipal residents, but out of the pre-tax incomes of businesses and organizations. Again, truly rural Municipalities rely primarily on the residential tax base.

With respect, the Province must also understand the significant negative consequences of high assessment. One is the higher cost of housing to residents. LRM C residents make higher mortgage payments and pay higher residential accommodation rents and property insurance rates. This results in less available cash flow to fund other household costs, like Municipal taxes.

Another significant disadvantage to high assessment for a Municipality is increased levies from third party service providers, who calculate levy allocations based on assessment. Two organizations using assessment to calculate levies charged to LRM C Municipalities are the Thunder Bay District Social Services Board ("TBDSSAB") and Superior North Emergency Management Services ("SNEMS"). In both of these examples, services are provided to people, not to properties. LRM C taxpayers pay far more for social services and ambulance

services than their counterparts in the small urban Municipalities, due primarily to the weighted assessment factor. And, once again, the Municipal council has absolutely no control over the spending and budgets of these agencies.

Household income is not as meaningful as per capita income for measuring the financial capacity of Municipal residents. Household income is an inferior measure since it does not take into account the number of people in a household dependent on that income. As shown on Schedule C, three LRMC Municipalities, Oliver Paipoonge, Conmee and O'Connor, have the highest numbers of persons per household. People, not the properties, live on the household income. The more people there are in the house, the less money the residential household has, overall, for living expenses such as property taxes.

An important factor to consider is the local presence of service offices and/or bases in the Municipalities. There are three major benefits to having services facilities in a Municipality. The first is easy access for residents. The second is property taxes, water and sewer charges and other revenues for the host Municipality. The third is employment and business activity in the host community.

Several small urban Municipalities in the Thunder Bay District have some local presence of externally funded agencies. The large urban center which is the City of Thunder Bay has significantly more of these. Truly rural Municipalities, like the LRMC Member Municipalities and territories without Municipal organization ("TWOMOs") located next to them, have virtually none of these. Unlike the other Municipalities in the Thunder Bay District, LRMC Municipalities pay high levies without enjoying any of the benefits generated by local presence of services. It's easy to get a flu shot at the health unit flu shot clinic when that clinic is in the neighborhood. Wait time for an ambulance is reasonable when the base is nearby. Just like residents of neighboring TWOMOs, residents of LRMC Municipalities have to drive to Thunder Bay to get a flu shot at the health unit and they wait longer for an ambulance to arrive. If an individual living in an LRMC Municipality or a nearby TWOMO needs social housing or long term care, it's only available in Thunder Bay. The difference is that the residents in the LRMC Member Municipalities pay far more to the service provider for the housing it operates in the City. TWOMO residents do not; they pay next to nothing.

3.5 Moving Forward

As demonstrated, the use of a Municipality's assessment to calculate its eligibility for OMPF funding, while also using it to calculate payments it makes to outside agencies, is flawed. These two factors work in opposition to one another. The Municipality's expenses go up, and its revenues go down.

In all of our LRMC Member Municipalities, the assessed value of properties has had an overall increase. This also means that payments Municipalities are required to make to third party agencies (such as the District Health Unit, the local Conservation Authority, the Social

Services Administration Board, land ambulance service providers, as well as others) have increased.

When the value of a property owner's land increases, his or her net worth goes up, but that does not mean that his or her income has gone up such that he or she can afford to pay more in property taxes.

Recommendation: Undertake a review/study of the method by which Municipalities are levied to make payments to external agencies (whether funded in whole or in part by Municipalities), with a goal to finding a more equitable funding formula. If done in conjunction with the review described in Chapter Four, OMPF grant funding from the Province could be substantially reduced without impacting Municipal service delivery.



Chapter Four

Comprehensive Taxation Review - “Back to Basics”

Modern Municipalities evolved from “District Councils” which were first constituted in 1849. The district councils were given authority to tax the lands within their jurisdictions for the purposes of the provision of services “on the ground” for those geographic areas. Things like roads and bridges were paid for in this manner. Over the next hundred and seventy years, these entities, now called “Municipalities” have been required to pay for more and more of the “people” services (health care, ambulance, social services, etc.) that were originally paid for by senior orders of government through their systems of taxation, while still being obligated to fund the “property” services (infrastructure, like roads and bridges, fire protection services, etc.).

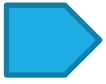
The LRMC submits, respectfully, that the property tax system was never intended to fund “people” services. These increasing obligations have led to the inequities demonstrated in the current fiscal realities.

Both the Ontario Chamber of Commerce and Ontario 360 refer to these “people” services as “distributed” or “re-distributed” services (citations - O360 at page 19 and OCC at page 15). Both agree these are inappropriately assigned to the property tax bill.

If the Province took back all of the “people-related” (or “redistributed” or “distributed”) services, it is believed that most (if not all) Municipalities would no longer require the OMPF funding. Our members would still require the rural Ontario and northern Ontario grant funding - but the Province could keep the money currently used to fund the balance of the OMPF, and use it for the people services that the funds raised through the Provincial tax system were always intended for.

This is a theory at this point - but an interesting one that merits study. If there were no longer any complex funding formulas to work through, administrative time at the Provincial level would also be eliminated, resulting in even more Provincial spending cuts and less “government”.

Recommendation: Undertake a complete review of the taxation system in Ontario, with full consultation and participation by Municipalities, to see whether, as the LRMC Municipalities believe to be the case, removing the cost of all “people-related” (also known as “re-distributed” or “distributed”) services from the property tax bill would result in a simpler, more transparent and accountable, and easier to administer sharing of service delivery costs between the Municipal and Provincial orders of government.



Chapter Five

The Rural Broadband Deficit

The CRTC, Canada's telecom regulator, declared, in 2016, that broadband internet access is a basic, required service. COVID drove this message home: high speed internet is essential in today's world. People cannot "stay at home" to work, and their children cannot "stay at home" to learn, if they do not have this basic service. Even those who do have a basic internet service have difficulty when more than one person in the household needs to access that service.

Despite the 2016 declaration, many households, particularly those in rural and northern areas like the LRMC Member Municipalities, do not have high speed internet.

Laying fiber optic cable is extremely expensive, but there are other, less expensive means to secure high speed internet for all Ontarians. The technology exists and must be explored - and quickly!

We do not know how much longer COVID will require our members' residents to stay at home for work, play and school. It is already an impossibility for many. We also know that many businesses and educational institutions will remain dedicated to on-line working or learning after COVID has passed.

For Municipalities, particularly rural Municipalities without appropriate broadband access, hosting public meetings (whether virtually altogether, or meetings relying on internet, such as COVID-19 vaccination clinics) has been extremely problematic.

High speed internet for rural Ontarians is long overdue and needs to be provided as soon as possible. The LRMC participates in several working groups for broadband issues, and efforts being made are commendable, however, time marches forward and there is as yet no resolve to this problem.

Recommendation: As "fiber optics" is not a financially responsible option for rural broadband, investigate and implement other, more cost-effective technologies to provide appropriate internet bandwidth to rural Ontarians to allow necessary work-from-home and education-from-home options as well as entertainment options. (*this recommendation may need to change - Erika?)



Chapter Six

Red Tape Reduction for Rural Municipalities

For many years, Ontario law has required Municipalities to provide detailed reporting to the Province on a variety of different matters. The Provincial government ministries operate independently, and their rules and structures often cause duplication issues for Municipalities, particularly small rural Municipalities. In addition, each ministry imposes upon Municipalities its own reporting processes on various matters under Municipal jurisdiction, and all of these reports involve different web-based (or otherwise) software, different forms, different information and significant workload. There is a great deal of duplication in these reporting requirements - some that involves direct duplication, and some that involves providing information which is “slightly” different from that sought by another agency or Ministry.

The Association of Municipal Managers, Clerks and Treasurers of Ontario (“AMCTO”) released a study - some time ago now - on the reporting burden upon Ontario’s Municipalities. The LRMC adopts the following conclusions of AMCTO in that report:

1. Reporting negatively impacts service delivery and prevents Municipalities from innovating and preparing for the future;
2. Reporting is excessive and onerous;
3. The purpose of reporting is often unclear;
4. Municipal-Provincial reporting is highly fragmented; and
5. Municipalities think reporting is important.

The LRMC recommends that the Province centralize data collection to a “one-window” function with a consistent software and format for any and all reports required by the Province. Municipalities can post information to this single window, and the various Provincial Ministries or agencies that require the information can download it and use it for their own purposes. This will save time and cost for the Municipal reporters, as well as for the Provincial ministries which seek the reports.

Readers are referred to the AMCTO study, which identified close to 100 reports sought by various arms of the Province. Since that report is now dated, and since no reporting requirements have been deleted, and many more have been layered on, the number has surely climbed since then.

Rural Municipalities are seeing more and more red tape and reporting obligations, with less and less revenue (decreased OMPF grant funding, removal of land from assessment under the Conservation Land Tax Incentive Program, development constraints restricting

assessment growth, etc. etc.). Staffing levels in our Member Municipalities are already at maximum affordability and capacity. There simply isn't the time or money available to undertake these onerous tasks.

Reporting is important - but rural Municipalities should not have to meet the same onerous reporting requirements that urban Municipalities have to meet. Yes, rural Municipalities should have things like asset management plans - however - they do not need to be so complex that consultants are required to create them and keep them current. Yes, urban Municipalities need things like "Community Safety and Well Being Plans" - however - small rural Municipalities do not need them - or at least do not need the extensive consultation mandated in order to create them.

These are but two simple examples. There are countless more.

As the Province piles on more reporting requirements, this hurts small rural Municipalities most, because they do not have the financial resources to hire the staff necessary to undertake the work. Our small, hard-working employee groups cannot take on any more of this burden.

Think of all the valuable work that could be undertaken, and services provided, if this bureaucratic red tape could be reduced or eliminated.

The Province has long recognized the need to reduce "red tape" for Ontario's business community. It is time to recognize that the same needs to be done for Ontario's many Municipalities.

Recommendation: Create a one-window reporting system for all Municipal data that the Province requires, in order to ease the reporting burden and provide greater operating efficiencies for all Municipalities as well as the Province.

Recommendation: Recognize that rural Municipalities do not require the same level or detail of reporting that urban Municipalities require, and cut this "red tape" out.



Conclusion

Improper formulae for funding from the Province has diminished our members' abilities to act as good stewards of the taxpayers' investments. Our Member Municipalities are looking for the same things that the Province is looking for in terms of "transfer payments":

- efficiencies and value-for-money in our payments for social services to our local social services administration board, our local public health unit and our rising land ambulance costs;
- funding models that consider transactional service pricing wherever a direct beneficiary of a service can be determined;
- a funding model that is based on transparency, performance, equity and simplicity; and
- restoration of the fiscal balance of funding health care, land ambulance and social services through the Provincial tax system, and funding property services such as roads, bridges and fire protection through property taxes.

At the LRMC, our members want to work together with the Province as partners to recover Ontario's economy and its financial solvency once the COVID-19 Pandemic is over. We are ready to provide our knowledge and experience to demonstrate how to turn the situation around, to everyone's benefit.

The recommendations set out in our Rural Action Plan form a blueprint for moving forward with recovery in mind.

APPENDIX: Contact information

All telephone/facsimile numbers have area code 807.

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The Corporation of the Municipality of Oliver Paipoonge

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