



LRMC

Lakehead Rural
Municipal Coalition

Rural Action Plan

January 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 at municipal association conferences) annually, since January of 2017. Ordinarily, the plan is organized by chapters, which correspond to the Provincial Ministries responsible for the programs or activities addressed by the Rural Action Plan. Our most recent version of the Rural Action Plan was presented in co-ordination with the Association of Municipalities of Ontario conference, held virtually in August, 2020. That plan was considerably scaled-down to address only financial matters that arose with, or were exacerbated by, the COVID-19 pandemic.

Unprecedented spending by senior orders of government continues. While it is understood, it continues to foster significant concern amongst rural municipal leaders about how we will emerge once the pandemic has passed.

This document, like the August, 2020 version, represents a special “COVID-19 Pandemic” edition of the Rural Action Plan, which focuses on finances and other COVID-related matters. Our members’ other issues have not “gone away”, however, they are, at present, taking a back seat to the significant financial impact that this global pandemic has wrought on our governments at all levels.

As such, this version of the Rural Action Plan is addressed to the Premier and to all of Ontario’s ministries, in an effort to provide the small, rural municipal perspective to what needs to be done to bring Ontario (provincially and municipally) back from the various financial set backs that the pandemic has imposed upon us.

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.

LRMC members sincerely hope the Province gives proper consideration to the phrase “we are all in this together”, which is often touted when COVID-19 impacts and restraint measures are discussed. Ontario’s rural municipalities, including LRMC members, respect that they are part of the global response to the pandemic, however, they are not able to absorb all of the financial repercussions that the pandemic has brought to bear.

COVID-19 responses have been costly. The Province and the Federal government will be tackling the costs of this pandemic for decades to come. As truly rural municipalities, our members know how to be fiscally responsible. We have insight to offer, and, in that spirit, submit our January, 2021 “Rural Action Plan” for the Province’s due consideration.

We continue to look forward to a provincial-municipal relationship where the Province is a “partner” rather than a “parent”.



Chapter One

LRMC's Unanswered Meeting Request

In August of 2019, at the AMO conference, our members requested, and were told we would be granted, a meeting in Toronto to discuss our concerns with the Ontario Municipal Partnership Fund (“OMPF”) formula. The Minister of Agriculture Food & Rural Affairs offered to facilitate the meeting, which was to include the Finance Minister, the Minister of Northern Development, Energy and Mines and the Minister of Municipal Affairs & Housing. *Despite several follow up letters, none of which were answered, the meeting was never scheduled.*

The LRMC provided another in-depth report on OMPF to ministers at the January, 2020 ROMA conference. Our members were again promised a meeting.

We raised this issue during virtual delegation meetings at the AMO conference in August, 2020. We pointed out that one of the interesting outcomes from the COVID lock down has been a transition to meetings virtually. Most government officials have become familiar with this “new” way of doing business. This should have made scheduling our long-awaited meeting easier than ever to achieve. Again, we were promised a meeting.

On November 24th, 2020, Mayors Kloosterhuis (of Oliver Paipoonge, Chair of the LRMC) and Holland (of Conmee, Vice Chair of the LRMC) received a letter from Minister Hardeman requesting that we contact Mr. Scott Duff of his office, via email, so that the meeting could be facilitated. Unfortunately, this correspondence incorrectly assumed that the meeting request related to an investigation into the amalgamation of two of our member municipalities (which had, by that time, been rejected). The purpose for this meeting request is, and has been for the past couple of years, a frank and open discussion about the harsh reality involving the patently unfair formulae leading to grand distribution to rural municipalities through the Ontario Municipal Partnership Fund.

The LRMC emailed Mr. Duff on November 26th. We corrected the error regarding the purpose of the meeting and re-iterated that we wish the meeting to be facilitated as soon as possible. We have to date received no response, although a follow up email was sent on January 11th. Immediately prior to our publication of this edition of the Rural Action Plan, on January 21st, Mr. Duff contacted the secretary to the Coalition and asked that the LRMC consider that a joint delegation meeting with OMAFRA and the Ministry of Finance, scheduled for the ROMA conference on Monday, January 25th, should be accepted by the LRMC as fulfilling our request. The LRMC respectfully declined.

The LRMC is once again, requesting a meeting, which could be arranged virtually, with all four of the Ministers of: Agriculture Food & Rural Affairs, Finance, Municipal Affairs & Housing, and Northern Development, Energy and Mines. The agenda will include the OMPF crisis as set out in this version of the Rural Action Plan. The timeline should allow the meeting to last 2 hours.

RECOMMENDATION: Honour our request for a meeting, as soon as possible.



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 shone a light on 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 is considered to have been 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, and remain so, during this Pandemic.

These will both be very expensive to address, adding to the financial stressors already in place. Yet they must be addressed.

The LRMC respectfully submits, as it did last August, that two courses of action are needed to get the Province's finances back in order, and address the shortcomings in care homes and for those with mental health and addiction problems.

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 includes an examination of "who should do what?", and "at what cost?" As we have pointed out in prior versions of the Rural Action Plan, hospital emergency rooms are not the appropriate destination for persons in mental health or addiction crisis. Savings gleaned from reductions in some services can be used, in part, for appropriate investment into proper mental health and addictions treatment.

The 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, or saved altogether.

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.

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 are 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”.

This is addressed more fully in Chapter 4 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 funding from the municipal tax burden. (See Chapter 4, Page 19)



Chapter Three

The Ontario Municipal Partnership Fund (“OMPF”)

3.1 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 tells our members that it 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.

In July 2020, LRMC members received notification from Superior North Emergency Medical Services (“SNEMS”) that its previously announced levies would rise due to increased WSIB costs, and that they might jump even more, if the Province does not address additional costs associated with COVID measures (e.g., more PPE, more cleaning supplies, etc.). Small rural municipalities cannot just “dig deeper” to pay more, 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 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.

In the meantime, the Province has been cutting OMPF funding by 10% per year. While, due to COVID-19 the Province for 2021 maintained the OMPF funding envelope at 2020 levels, we anticipate the policy of 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 the different municipalities receive. *That formula results in patent unfairness between municipalities.* As set out in Chapter 1 of this Rural Action Plan, our members *absolutely need the opportunity to demonstrate this to Provincial Officials*, who appear to either not believe the science, or not to care.

The OMPF formula does not recognize that truly rural municipalities have little to no tax base other than residential. They have no industry, business, pipelines, railroads, or even multi-residential taxpayers. Farm area measures are used in Southern Ontario to accommodate communities with farms comprising a large part of their tax base. At the very least, the OMPF

could have a business measure funding formula to provide compensation to rural municipalities with large proportions, perhaps eighty (80%) percent of residential-only tax base. This is a concept that should be studied further - the 80% figure was simply used as an example.

3.2 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 other are "revenue negative," and the "gap," the difference between OMPF and the cost of downloaded services, between the winners and losers, is widening.

3.3 Unfairness Built in to the Formula

For the fifteen (15) Thunder Bay District municipalities, there are schedules included in this report which outline the situation with OMPF, third party agency levies, and related aspects, and demonstrate the inequities. (Note that, in some schedules there is no data for the Township of Nipigon since its 2019 Municipal Financial Information Return has not yet been posted.) 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 deliver services like golf courses and indoor swimming pools that rural municipalities cannot afford, 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 tax payers.

Although re-assuming these responsibilities would cost the Province money, the LRMC proposes that these costs could be off-set by reducing the OMPF to only its northern and rural components. These changes would ultimately save both the municipalities and Ontario money, since each order of government would be responsible for the services they can effectively manage and control.

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. This is why we asked for a meeting dedicated to this topic (see Chapter One) and why, we believe, such a meeting continues to be both essential and appropriate.

The key factor in the inequity of the OMPF funding formula is the use of weighted assessment and household income as determinants in setting OMPF allocations and third party service agency levies. This 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.

We are, once again, providing the Province with our analyses. 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.

To reiterate: we understand that reading through charts and mathematical analyses can be time-consuming and inefficient. That is why we continue to ask for the opportunity to explain this to you properly and coherently, at a meeting which will take 1-2 hours, allowing for question and answer periods.

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. Manitouwadge 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
Manitouowadge	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: OMPF versus Levies & Policing for the Thunder Bay District Municipalities

Schedule "B"								
Municipality	LRMC	A	B	C	D	E	F	G
		2018 OMPF	TBSSAB Levy	SNEMS Levy	TBDHU Levy	Police Cost	2018 Total	OMPF Minus External Levies
Manitouawadge	No	1,718,100	62,810	37,073	45,608	441,224	586,715	1,131,385
Marathon	No	1,853,300	177,961	105,041	73,292	783,054	1,139,348	713,952
Nipigon	No	1,049,000	111,365	65,730	34,448	172,535	384,078	664,922
Schreiber	No	833,700	50,722	29,938	25,292	223,898	329,850	503,850
Red Rock	No	640,600	50,950	30,070	19,905	150,188	251,113	389,487
Terrace Bay	No	908,200	138,231	81,598	32,974	308,000	560,803	347,397
Gillies	Yes	190,600	41,919	24,743	10,001	60,596	137,259	53,341
Conmee	Yes	225,200	73,939	43,646	15,461	92,860	225,906	(706)
O'Connor	Yes	196,100	77,725	45,877	14,374	81,469	219,445	(23,345)
Dorion	No	121,500	52,775	31,152	6,9009	67,962	158,798	(37,298)
Neebing	Yes	664,500	373,505	220,458	44,014	300,588	938,565	(274,065)
Greenstone	No	2,252,200	752,165	443,974	94,309	1,460,372	2,750,820	(498,620)
Shuniah	Yes	969,600	867,042	511,776	56,841	722,843	2,158,502	(1,188,902)
Oliver Paipoonge	Yes	1,095,600	911,493	538,014	124,746	1,093,400	2,667,653	(1,572,053)
Thunder Bay	No	20,478,500	16,534,721	9,759,688	2,238,140	49,086,968	77,619,517	(57,141,017)
Totals		33,196,700	20,277,323	11,968,778	2,836,314	N/A	90,128,372	(56,931,672)

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. The intention was, as we were then advised, that there was not to be any impact on municipal finances; the service realignment was to be “revenue neutral.”

Using 2018 data, Schedule B 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 LRMCM 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 over 63% of its total cost, as the Schedule illustrates.

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 16, 17 and 18.

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. (Unfortunately, data for the Township of Nipigon was not yet available.) The FIR and OMPF data is from 2019, while the Census data is 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 16)

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.

Schedule "C" Version "A"

Schedule "CA" - Comparison of 2016 Census and 2019 FIR Information for Thunder Bay District Municipalities											
Municipality	LRMC	OMPF per HH	Pop'n	Households	People per Household	Median Gross per HH	Median Gross per capita	Res & Multi-R. Taxation per Househ.	Res & Multi-R. Taxation % of Total Tax.	2019 Total Expenses per HH	2019 Comp. Exp. Per HH
Thunder Bay	No	383	107,909	50,388	2.14	66,163	30,917	2,382	73.40%	11,130	5,008
Red Rock	No	1,440	895	444	2.02	69,376	34,345	2,572	75.21%	8,823	2,950
Gillies	Yes	849	410	214	1.92	66,944	34,867	1,932	96.19%	3,811	1,548
Conmee	Yes	647	819	327	2.50	89,856	35,942	2,642	98.05%	4,509	1,586
O'Connor	Yes	649	663	272	2.44	89,856	36,826	2,708	97.95%	4,436	1,616
Oliver Paipoonge	Yes	415	5,922	2,379	2.49	96,981	38,948	2,647	84.44%	4,186	953
Greenstone	No	751	4,636	2,930	1.58	63,488	40,182	1,423	28.36%	8,769	2,888
Marathon	No	1,088	3,273	1,643	1.99	82,816	41,616	1,863	63.41%	6,827	2,319
Terrace Bay	No	991	1,611	893	1.80	75,328	41,849	1,889	52.48%	7,272	2,437
Dorion	No	644	316	174	1.82	79,360	43,604	1,864	62.54%	5,313	1,626
Manitouwadge	No	1,415	1,821	1,214	1.50	66,048	44,032	2,436	73.72%	6,034	2,070
Schreiber	No	1,224	1,047	670	1.56	70,528	45,210	2,114	78.62%	6,515	1,932
Neebing	Yes	513	2,055	1,166	1.76	87,424	49,673	2,170	98.10%	3,113	838
Shuniah	Yes	410	2,798	2,130	1.31	96,939	73,999	2,018	93.37%	3,138	814
Nipigon	No	1,305	1,642	804	2.04						
TOTALS			135,817	65,648							

Schedule "C" Version "B"

Schedule "CB" - Comparison of 2016 Census and 2019 FIR Information for Thunder Bay District Municipalities											
Municipality	LRMC	OMPF per HH	Pop'n	Households	People per Household	Median Gross per HH	Median Gross per capita	Res & Multi-R. Taxation per Househ.	Res & Multi-R. Taxation % of Total Tax.	2019 Total Expenses per HH	2019 Comp. Exp. Per HH
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Schedule "C" Version "C"

(Schedule "cc" - Comparison of 2016 Census and 2019 FIR Information for Thunder Bay District Municipalities											
Municipality	LRMC	OMPF per HH	Pop'n	Households	People per Household	Median Gross per HH	Median Gross per capita	Res & Multi-R. Taxation per Househ.	Res & Multi-R. Taxation % of Total Tax.	2019 Total Expenses per HH	2019 Comp. Exp. Per HH
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Schreiber	No	1,224	1,047	670	1.56	70,528	45,210	2,114	78.62%	6,515	1,932
Marathon	No	1,088	3,273	1,643	1.99	82,816	41,616	1,863	63.41%	6,827	2,319
Terrace Bay	No	991	1,611	893	1.80	75,328	41,849	1,889	52.48%	7,272	2,437
Greenstone	No	751	4,636	2,930	1.58	63,488	40,182	1,423	28.36%	8,769	2,888
Red Rock	No	1,440	895	444	2.02	69,376	34,345	2,572	75.21%	8,823	2,950
Thunder Bay	No	383	107,909	50,388	2.14	66,163	30,917	2,382	73.40%	11,130	5,008
Nipigon	No	1,305	1,642	804	2.04						
TOTALS			135,817	65,648							

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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.

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Total Expenses per household simply means how much a municipality spends. LRMC 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. LRMC municipalities are the lowest spenders. The small urban municipalities have more financial resources than LRMC 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

Weighted assessment and household income are poor determinants of financial capacity. The use of weighted assessment as a determinant is, in our 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. LRMC 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 LRMC 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. LRMC 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 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.

The small urban municipalities in the Thunder Bay District have some offices and facilities. The City of Thunder Bay has significantly more offices and facilities. 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 any of the benefits generated by local presence of services. It’s easy to get a flu shot at the health unit when the 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, 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.

3.4 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 4, 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 lead to the inequities demonstrated in the current fiscal realities.

If the Province took back all of the “people-related” 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” 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.

High speed internet for rural Ontarians is long overdue and needs to be provided as soon as possible.

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.



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.

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.

The Corporation of the Township of Conmee

Mail: R.R.#1 Kakabeka Falls, P0T 1W0
 Physical: 19 Holland Road West
 Phone: 475-5229 Fax: 475-4793
 Email: conmee@conmee.com
 Website: www.conmee.com

Mayor: Kevin Holland
 (Vice Chair of LRMC)
 Email: mayorholland@conmee.com
 Clerk: Shara Lavallée
 Email: conmee@conmee.com

The Corporation of the Township of Gillies

Mail: R.R.#1 Kakabeka Falls, P0T 1W0
 Physical: 1092 Highway 595 in Hymers
 (inside Whitefish Valley Public School)
 Phone: 475-3185 Fax: 473-0767
 Email: gillies@tbaytel.net
 Website: www.gilliestownship.com

Reeve: Wendy Wright
 Email: reevewrightgillies@gmail.com
 Clerk/Treasurer: Laura Bruni
gillies@tbaytel.net

The Corporation of the Municipality of Neebing

4766 Highway 61, Neebing, P7L 0B5
 Phone: 474-5331 Fax: 474-5332
 Email: neebing@neebing.org
 Website: www.neebing.org

Mayor: Erwin Butikofer
 Email: Mayor@neebing.org
 Clerk-Treasurer: Erika Kromm
 Email: clerk@neebing.org (office)
 Deputy Clerk-Treasurer: Laura Jones
 Email: deputyct@neebing.org

The Corporation of the Township of O'Connor

Mail: R.R.#1 Kakabeka Falls, P0T 1W0
 Physical: 330 Highway 595
 Phone: 476-1451 Fax: 473-0891
 Email: twpoconn@tbaytel.net
 Website: www.oconnortownship.ca

Mayor: Jim Vezina
 Email: jmvs@tbaytel.net (home: confidential)
 Clerk-Treasurer: Lorna Buob
 Email: twpoconn@tbaytel.net
 Deputy Clerk-Treasurer: Linda Racicot
 Email: twpoconn@tbaytel.net

The Corporation of the Municipality of Oliver Paipoonge

3250 Highway 130, Rosslyn, P7K 0B1
 Phone: 935-2613 Fax: 935-2161
 Email: (no generic email)
 Website: www.oliverpaipoonge.ca

Mayor: Lucy Kloosterhuis
 (Chair of LRMC)
 Email: mayor.lucy@tbaytel.net
 CAO/Clerk: Wayne Hanchard
 Email: wayne.hanchard@oliverpaipoonge.on.ca
 Treasurer/Deputy CAO: Kevin Green
treasurer@oliverpaipoonge.on.ca

The Corporation of the Municipality of Shuniah

420 Leslie Avenue, Thunder Bay, P7A 1X8
 Phone: 683-4545 Fax: 683-6982
 Email: shuniah@shuniah.org
 Website: www.shuniah.org
 Mayor: Wendy Landry (cell: 626-6686)
 Email: wlandry@shuniah.org
 CAO: Paul Greenwood (cell: 708-0199)
 Email: pgreenwood@shuniah.org