



Eastern Ontario Wardens' Caucus

## **Ratepayers Face Challenges in Affordability of Vital Municipal Services**

**March 27, 2014**---A new report by the Eastern Ontario Wardens Caucus reveals that rural ratepayers in the region will likely be increasingly challenged to pay the costs of vital municipal services. The EOWC's Ratepayer Affordability White Paper paints a picture of a rural region that, compared to the Ontario average, has lower earnings and incomes, lower levels of education, a higher proportion of senior citizens, and a higher proportion of homes in need of major repair.

"Our analysis shows that rural household incomes are an average of \$10,000 a year less than the Ontario average," says 2014 EOWC Chair Jean Paul St. Pierre. "And nearly one in five of our residents is a senior citizen – many of whom are on fixed incomes. Our people simply can't afford to pay the ever-increasing costs of municipal services, especially when rural areas have so much infrastructure to be maintained by a relatively small and widely-dispersed population. We are at a crossroad in terms of financial sustainability of local governments."

"As local governments, we are doing all we can to contain costs and this report suggests what we can do to improve the financial circumstances of our residents. However we need the provincial government to partner with us to develop and implement new approaches to lighten the load for our ratepayers," says **Chair, Jean Paul St. Pierre.**

The third in a series of special reports produced by the EOWC, the Ratepayer Affordability White Paper also contains more than a dozen recommendations for actions that could help to change the circumstances of the region's ratepayers. Some recommendations focus on longer-term strategies to improve the region's economy and residents' earning power. Other recommendations are drawn from earlier White Papers on Municipal Infrastructure and Municipal Affordability, which focus on finding cost savings and increasing non-tax revenues to municipalities.

The Eastern Ontario Wardens' Caucus brings together thirteen Eastern Ontario Counties and Single-Tier municipalities, to work with provincial and federal governments to address regional issues and improve the economic and social circumstances of more than 700,000 residents in this 45,000 square kilometre region. Each January, the EOWC establishes its priorities for the coming year and undertakes advocacy work and other projects through which the priority issues can be addressed. For more information on all three White Papers as well as the EOWC's 2014 priorities: [www.eowc.org](http://www.eowc.org).

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## Backgrounder on EOWC Ratepayer Affordability White Paper

The Ratepayer Affordability White Paper examined the economic circumstances of residents of Rural Eastern Ontario and is intended as a companion report to two other White Papers by the Eastern Ontario Wardens' Caucus (Municipal Infrastructure and Municipal Affordability). By considering "ratepayer affordability", the EOWC sought a better understanding of the degree to which ratepayers can afford to pay higher taxes – especially annual tax increases that go beyond the annual increases in their incomes.

Since many of the costs of local government are determined by policy decisions and agreements made by the Province of Ontario, this White Paper compared Rural Eastern Ontario to the provincial average on more than a dozen variables that make up the economic profile of a typical ratepayer in Rural Eastern Ontario. And because major urban centres such as Ottawa and Toronto must manage in a similar economic environment, this White Paper compared Rural Eastern Ontario to those two cities to see how similar ratepayers' economic circumstances are to Rural Eastern Ontario.

What emerged from these regional and comparative analyses is a profile of Rural Eastern Ontario ratepayers that is very different from major urban centres at the region's periphery, as well as different from the province as a whole. On virtually every variable, ratepayers' in Rural Eastern Ontario are less well off, meaning they have fewer resources to draw upon to pay for their own living costs, meet the expenses of educating their families or themselves, getting back and forth to work (often in another municipality), paying for vital municipal services or supporting investment in municipal infrastructure. It is also clear that these patterns, in relation to Ontario as a whole, have persisted through the recession.



### A Typical Resident of Rural Eastern Ontario:

- Average personal earnings: \$38,317; ~ \$4,000/year (\$330/month) less than provincial average
- Larger share of earners in lower earnings brackets: \$28,241 (median); ~\$2,200 lower than provincial median earnings
- One in five (~18%) is a senior citizen
- Lower share of income coming from employment earnings: ~67%; nearly 10% less than provincial average (75%)
- More dependent on government transfers: 15.4% of income; higher than provincial average (12.3%)
- Core labour force (25-64 years) is 55% of total population; equal to provincial average
- Lower share of workforce age population with college or university education: ~47%; ~10% less than provincial average (57%)
- Higher share of workforce age population with trades certificate/diploma: ~11.0%; twice as high as Ottawa (5.5%) or Toronto (5.2%)
- Lower shelter costs by \$330/month for owned homes, but longer more expensive commutes (~\$325/month higher cost for transportation)



### **A Typical Household in Rural Eastern Ontario:**

- Lower average household income: \$75,202; ~\$10,000/year (\$830/month) less than average household income for Ontario
- Larger share of households in lower income brackets: \$62,909/year median income is \$3,000/year lower than Ontario as a whole
- 84% of residents own their homes (much higher than provincial average: 71%)
- Less choice in housing (apartments, condos)
- Nearly 90% of local assessment is residential, meaning households carry most of the municipal service load
- Median value of housing (\$232,925) is \$60,000 lower than provincial average (\$300,862)
- Larger share of homes in need of major repair (8.2%) than Ontario (6.6%)

### **Recommendations to Address Ratepayer Affordability**

The analysis reveals that keeping municipal government affordable for local ratepayers will require local governments to change the trajectory of both service delivery costs and the revenues available to pay for these services (see EOWC White Paper on Municipal Affordability). Local governments will also need to become more proactive in supporting the efforts of their own ratepayers to improve the economic circumstances of the region, its households and businesses. This White Paper contains information which has helped to inform the forthcoming regional economic development strategy project being undertaken by the EOWC in partnership with other regional stakeholder groups. The following recommendations cover some actions that local governments might take on their own or through the EOWC, as well as those which might be undertaken in partnership with upper levels of government.

#### **Recommendations for EOWC and Constituent Municipalities:**

E-1: It is proposed that the EOWC continue to actively support the development of a region-wide economic development strategy with the long-term objective of stimulating growth as well as jobs across the region, which will in turn stimulate growth in the region's property tax base. The ultimate goal is to increase total assessment as well as the proportion of assessment from industrial, commercial and institutional operations. (This same recommendation is found in the *Municipal Affordability White Paper*).

E-2: It is proposed that the EOWC continue to work with the provincial and federal governments to build awareness and utilization of the provincial (permanent) Eastern Ontario Development Fund (EODF) and programs of FedDev across the region. In particular, the EOWC will a) encourage utilization of the EODF Small Community/Pilot funding stream for businesses that fall below the 10-employee minimum threshold, and b) suggest opportunities to FedDev for funding regional initiatives designed to stimulate private sector economic activity across Rural Eastern Ontario.

E-3: It is proposed that the EOWC continue to encourage EORN to investigate and provide leadership to deployment of new, internet-based technologies by small and medium-sized businesses including but not limited to agriculture, forestry, manufacturing and fabrication, construction, information communications technology (ICT), transportation & logistics, health care, education, and tourism. Increased utilization of the regional broadband network for business purposes is expected to expand markets, increase private sector economic activity, create jobs, and ultimately, increase non-residential assessment.

E-4: It is proposed that the EOWC actively support the development of an integrated regional transportation and (non-traditional) transit system in Rural Eastern Ontario to increase access to markets in and outside the region, as well as improving cost-effectiveness of workforce commutes in and out of the region. Enabling the workforce to get back and forth to work in a cost-effective way is expected to increase employment and related earnings.

E-5: It is proposed that the EOWC actively support the development of in-region and distance education and training opportunities to enhance the education and skill levels of the region's population and workforce, thereby enhancing the ability of local residents to find employment and increase earnings.

E-6: It is proposed that the EOWC advocate for reinstatement of the federal Home Renovation Tax Credit – especially for energy efficiency, and the continuation and extension of the provincial Home Renovation Tax Credit for seniors and family members living with them. It is further recommended that these tax credits be focused on low-income owner-occupied households.

E-7: It is proposed that the EOWC actively support the development of a regional youth retention and re-attraction strategy through which to increase the overall size of the labour force in Rural Eastern Ontario and contribute to succession planning for local enterprises.

E-8: It is proposed that the EOWC advocate for additional financial support for affordable housing initiatives that would reduce the need for residents to move to urban areas for these types of accommodations.

### **Recommendations for the Province of Ontario:**

U-1: It is proposed that the Province of Ontario provide Eastern Ontario municipalities that have significant Crown lands or other lands with assessment constraints (e.g. managed forests, farmland, aggregate sites etc.) in their jurisdictions with compensation reflecting these property-based limitations. The compensation could be a Payment-in-Lieu or an annual share of revenues accruing to the Province from these lands (e.g. royalties from stumpage fees). This compensation would be in recognition of the service provided by municipalities in building and maintaining roads and bridges, and providing emergency services for these tax-exempt lands. [This same recommendation is found in the *Municipal Affordability White Paper*]

U-2: It is proposed that the EOWC continue to work cooperatively with provincial and federal authorities to obtain an agreement related to the Algonquin land claim. Once an agreement is in place, it is proposed that the EOWC work collaboratively within the Algonquin Nation to identify and pursue opportunities for economic development benefiting the Algonquins and the region as a whole. [This same recommendation is found in the *Municipal Affordability White Paper*].

U-3: It is proposed that the EOWC encourage and support the Province of Ontario in its continued efforts to contain the growth in program and service delivery costs, including those that are mandated to municipal government (examples: policing costs). It is further proposed that the EOWC encourage the Province to engage municipalities and the EOWC in processes which will affect services mandated to municipal government.

U-4: It is proposed that the EOWC work with AMO and the Province of Ontario to develop a strategy which would allow and encourage local governments to introduce non-tax-based revenue generating measures to make their municipalities more financially sustainable. The first priority could be an examination of ways to leverage existing municipal assets to provide new revenue streams (examples: outstanding POA monies; per-ton charge for aggregates). [This same recommendation is found in the *Municipal Affordability White Paper*].

U-5: It is proposed that the Province of Ontario broaden its commitment to work with municipalities on renewable energy development to include determination of appropriate property tax rates for all types of renewable energy, not just wind turbine towers. This is an essential companion to the proposed changes to the Feed-in-Tariff (FIT Program) which are intended to engage municipalities and Aboriginal communities in location and siting decisions, and providing new energy-related economic development and revenue opportunities for municipalities and public sector entities. [This same recommendation is found in the *Municipal Affordability White Paper*].

U-6: It is proposed that the EOWC work with AMO and the Province of Ontario to determine if there are alternative, cost-effective ways to deliver services at the local level, and seek opportunities for pilot programs through which these alternatives might be tested on a cost-shared basis in Rural Eastern Ontario. [This same recommendation is found in the *Municipal Affordability White Paper*].