

## WHO WE ARE

The Northwestern Ontario Municipal Association (NOMA) is a not-for-profit organization established in 1946 and incorporated in 2001. It is made up of four components: the Kenora District Municipal Association, the Rainy River District Municipal Association, the Thunder Bay District Municipal League, and the City of Thunder Bay. Other than the City of Thunder Bay, membership is attained by being a member of the district organization. The area we represent extends from the City of Kenora in the west to the Town of Hearst in the east. There are 37 municipalities that currently belong to our association. We represent 232,300 people in Northwestern Ontario, according to the 2021 Ontario Census.



The objectives of the Association are to consider matters of general interest to the municipalities, to procure enactment of such legislation that may be of advantage to the municipalities in Northwestern Ontario, and to take united action on all matters where the rights of the municipalities may be affected to advance the standards of municipal government through education and discussion and generally to promote their interests.

The organization is governed by a 19-member Board of Directors that holds several meetings throughout the year. The Association holds an Annual General Meeting during the last week in April to bring together experts from across various sectors to discuss the latest municipal best practices, emerging trends, and key legislative and management issues. NOMA has representation on various bodies and organizations including working groups to advocate in the best interest of Northwestern Ontario and discuss matters of municipal interest with provincial parties. The Northwestern Ontario Municipal Association and the Federation of Northern Ontario Municipalities forms the Northern Caucus of the Association of Municipalities of Ontario (AMO).

NOMA has been receiving an operating subsidy from NOHFC. This provides NOMA the financial ability to participate at AMO meetings as well as providing northern input to the Provincial government on issues affecting the north. This helps fund our Annual AGM and our Strategic Plan activities.

On behalf of the member communities of NOMA, I would like to take this opportunity to thank you for your incredible leadership to help us navigate difficult times and I wish to express our appreciation for meeting with us today to present a few issues that are of concern to us including OMPF, Crown Land, Railway, and EMS & Public Health.

## OMPF

NOMA recognizes that the provincial government is working to address the current financial deficit in Ontario. As municipal leaders, we can respect the need to balance program delivery while doing so in a fiscally sustainable manner. While the fund has changed over time, OMPF remains a critical provincial funding program for many communities, some of which would be unable to operate without this funding.

NOMA would like to thank the Provincial government for maintaining the OMPF amount at \$500 million for 2022. However, the funding allocation formula needs to clearly reflect the unique needs of communities in Northwestern Ontario. The overall funding amount did not change. However, upon review of the 2022 OMPF allocations, 21 municipalities in Northwestern Ontario, (57%) of the communities we represent, experienced reductions in their OMPF allocations including Alton, Atikokan, Chapple, Conmee, Dawson, Dorion, Dryden, Dubreuilville, Emo, Greenstone, Hearst, Hornepayne, Ignace, Terrace Bay, Kenora, La Vallee, Machin, Manitouwadge, Marathon, Morley, Pickle Lake, Schreiber, White River. Only 24% of municipalities in Northwestern Ontario experienced a slight increase and 19% stayed the same. The decrease in funding experienced by more than half of the municipalities in the region will strain municipal budgets further. It is critical that OMPF allocations, especially for small communities that greatly rely on this funding, remain stable and respond to inflationary costs, especially considering the current inflation rate of 8.1%. Early allocation notices are also needed to assist with budget preparations at the municipal level. Municipalities are an incredibly efficient level of government. We know how to deliver services in a cost-effective manner but need the required resources to do so.

There are some discrepancies to the way funding is distributed to municipalities, particularly those in the northwest. We are not looking to pit municipalities against each other. **However, the present model is unfair to some while others see an advantage.** The Municipality of Red Lake conducted an OMPF formula analysis, which consists of 5 components, to determine the impacts in OMPF funding from 2014-2022 for the municipality of Red Lake. The new formula takes the right approach. However, as illustrated in the document in the Appendix of your delegation packages, there are four major shortcomings of the formula that should be reviewed to ensure the funding structure is fair and balances for all.

The municipalities that realized reductions in the OMPF, will be forced to make up for the funding. This is often realized by reducing or eliminating vital services and decreasing investment in infrastructure. These difficult decisions have adverse short and long-term impacts on people and taxation levels while simultaneously increasing the burden on municipalities who are often forced to fill gaps in social, health, infrastructure, and environmental domains. While the Ministry of Finance has insisted that the uploads have offset the reduction, some communities in the Northwest have struggled to see the overall benefit. Given that northern municipalities are challenged by higher costs due to geographic location, a low population density with an above provincial average senior population, lower household income and limited economic development opportunities we are constrained in our ability to make up the reductions.

**NOMA asks the government to commit to stabilizing the OMPF and ensure that the funding allocation formula clearly reflects the needs of communities in Northwestern Ontario using a balanced approach to the funding structure.**

**NOMA previously met with Minister of Finance to voice our concerns of the inequities experienced by municipalities. We ask the Minister to review and consider the shortcomings outlined in the OMPF Formula Analysis conducted by the Municipality of Red Lake to ensure the formula equitable for all.**

**NOMA recommends a staff member to be dedicated to work with NOMA to determine where the inequities are experienced, and that the government implement modest inflationary increases as part of the funding program.**

**NOMA suggests that the Ministry of Finance clearly define OMPF statements line by line to demonstrate the amount being provided to reimburse municipalities.**

## Sale Of Crown Land

First off, NOMA would like to thank the Ministry for consulting with municipalities to determine what their issues are in regard to Crown Land. We hope that this provided your ministry valuable information to move forward on this issue.

Crown land represents 87% of the province, much of which resides in Northwestern Ontario. This presents a critical economic development opportunity for Northwestern Ontario municipalities. Communities are able to access their land base as a source of property tax revenue. Municipalities are interested in pursuing crown land development within their municipal boundaries, with a particular interest in lakefront lots, to expand their property tax revenue. Given the housing crisis experienced across Ontario, this could also provide an opportunity for communities to increase housing supply to meet demand and potentially attract more people to their communities to help contribute to the local economy.

It is important to note that some municipalities in Northwestern Ontario have large areas of crown land that are unpatented and therefore tax exempt. Some municipalities have expressed frustration that they are required to provide services in and around these lands (e.g. road maintenance and fire protection) but they receive no revenues from them. Even where the lands are used for certain purposes, such as the placement of hydro transmission lines, no property taxes or payment in lieu of taxes are paid to the municipality. This further exasperates the financial burden on municipalities as they do not realize revenue but are on the hook for the cost for service.

**NOMA asks the province to sell crown land for development within municipal boundaries. We see this as a win-win as the province would generate revenue from the sale while municipalities would then expand their property tax base.**

**NOMA asks the province to ensure that compensation is provided to municipalities that are required to provide service to tax exempt lands.**

**NOMA asks the Minister of Northern Development, Mines, Natural Resources and Forestry to clearly indicate if the Ministry will pursue this issue further as a result of the consultations with municipalities.**

## Railway

We have multiple municipalities in Northwestern Ontario that have railway crossings within their municipal boundaries. Some of these municipalities are faced with expenses relating to railway crossing updates and maintenance. The costs can be significant and affecting municipalities in our region, particularly small and rural communities that have small budgets. Some invoices are issued unexpectedly with little to no information provided, and municipalities are forced to alter their budget to accommodate the unexpected expense or enter into mediation. For example, the municipality of Machin received an unexpected bill in the last 2 years for \$65,000 for a railway crossing upgrade. Additionally, they spend approximately \$3,500 annually for railway costs. The Municipality of Shuniah in 2018 paid \$186,400 for railway crossing repairs and in 2020, \$85,188, along with their yearly cost of \$24,000 for their 5 crossings. Municipalities are often not provided input into the work done, yet they are still responsible for 50% of the cost.

The practice of billing municipalities in this fashion is archaic dating back to the 1970's when CN Rail and CP Rail were Crown Corporations. These companies are now privatized and responsible to shareholders, which are likely quite satisfied given the significant profit these companies are making, while municipalities are still footing half the bill.

A net-profit margin for a large corporation of 5% is considered low, whereas 10% is considered average and 20% is considered high. The net-profit margin for CN Rail and CP Rail were 31.87% and 32.25%, respectively, over the last 5 years. A recent look at CN Rail profits indicated that the company made a significant increase in profit in the quarter ending June 30<sup>th</sup>, 2022. Net income jumped 28% or \$289 million to \$1.33 billion in the June 30 quarter compared to the same period last year. Revenues rose 21% or \$746 million to \$4.34 billion last quarter. Given these significant profits, it is no longer justified that municipal taxpayers should be responsible for covering a portion of the expenses incurred by these multi-million-dollar private, profitable corporations.

**NOMA believes it is time to review this outdated legislation and come up with a solution. It may be time for railway companies to manage their own assets like other for-profit corporations. For profit companies should not be reliant on public funds for maintenance and upgrades to their infrastructure and should not be subsidized by municipal taxpayers.**

Additionally, NOMA has previously brought the issue of Railway Taxation to the Province of Ontario. We sustain the belief that the province should review fees based on inflation and current conditions including rail traffic on an annual basis to ensure that Ontario does not continue to fall further behind in their approach to railway property taxation. A fair and equitable taxation revenue on railway property based on the per tonne-mile instead of the current acreage model will reduce the financial pressure on the province and provide financial support to municipalities taxation going forward.

**NOMA requests the province consult with municipalities with railways running through their communities**

**NOMA calls on the Province of Ontario to conduct of review of this outdated practice of municipalities paying to maintain assets of a for-profit railway corporation and create solutions to municipalities covering a high percentage of railway crossing maintenance and construction.**

**NOMA calls upon the Minister of Finance of the Province of Ontario to undertake ongoing consideration of municipal taxation for railroad rights of way properties, based on a per tonne-mile concept.**



First, we would like to express our great appreciation for all the work done by government to expedite funding to help our communities through Covid. Though necessary, the costs the government incurred as a result of Covid were enormous. It is inevitable that the deficit will need to be repaid but who is going to pay for covid?

Even before Covid-19, municipalities had mounting financial pressures. Crumbling infrastructure, increasing costs in services and programs, including a 21.5% average increase to municipal insurance costs, along with a large deficit of skilled trades people to carry out work in the North and a lack of resources to attract more workers, and as of June 2022 a rising inflation rate of 8.1%, have all have added to municipal governments having to be creative to keep budgets balanced. NOMA is concerned that the bill for covid has come due and municipalities will see this reflected in their budgets for public health.

In 2019, the Premier announced the proposed public health modernization plan that would reduce the number of Health Units from 35 to 10 and paramedic services from 55 to 10. **This modernization plan would have a significant negative impact on Northern Communities, and we do not support moving forward with the proposed modernization plan.**

As of January 1, 2022, the Government of Ontario mandated a change to the cost-shared Public Health Unit funding model. The new cost sharing formula for cost shared programs will result in municipalities funding 30% of costs (up from 25%), and the Province of Ontario funding the remaining 70% (down from 75%). For the Northwestern Health Unit (NWHU) the municipal increase of 5% actually equates to an increase of 20% to the municipal cost of cost-shared programs. Furthermore, the Province is shifting approximately \$3 million in program expenses into the cost-shared formula that were previously 100% Provincially funded. These two changes will result in a total approximate increase of 35% to the NWHU annual levy to municipalities.

Municipalities funding the Thunder Bay District Health Unit face a broad range of 2023 costs increases depending on any approach the Province takes. Presuming programming and service levels remain the same, in the worst-case scenario of a 2023 transition to 70/30 and Provincial cessation of funding for certain mandated programs, Thunder Bay District municipalities face a 34% increase to their

levy. Should funding for the latter continue, municipalities will see an increase of 9% to their levy. Either scenario is unsatisfactory and not sustainable. The best-case scenario, status quo (no change to the formula and continued Covid-19 mitigation funding) will result in a 3% levy increase to municipalities.

Municipalities in Northwestern Ontario are already financially strained, and many are not in a fiscal position to withstand additional increases to their budgets. The long-term impact of this restructuring is of great concern to municipalities as they now must prepare for the financial consequences of this increase without obvious funding alternatives to tap into, as their primary source of income is a relatively unchangeable tax base.

The potential restructuring plan for EMS modernization is also concerning. The three EMS' in northwestern Ontario cover vast geography and each have different operational, logistical, and strategic needs. Government officials have mused that there may be a reduction from ~50 municipally led EMS' to ~12 EMS' in Ontario; in this structure, should there be one EMS in NW Ontario, or one EMS north of the French River, governance and leadership challenges would be immediately paramount. There is no municipal structure or body that could oversee EMS in either scenario. Paramedic leadership would also be flummoxed in grappling with service delivery issues in a new operating structure. **NOMA does not support reducing the number of EMS in NW Ontario.**

We have said it many times before that Northwestern Ontario is unique and a one size fits all approach will not work. The expansive landscape in the North with pockets of people scattered throughout requires a different plan than Southern Ontario. There is a need to adapt our health care system to address our growing needs, but the current proposed modernization plan would put the health of our people at risk. Public Health policies should be implemented at a regional level. Even within the North there are large variations and policies should recognize and adapt to the uniqueness of each community to ensure everyone is able to receive the same level of care.

We need a plan that prioritizes the health of the citizens of Ontario, supports public health in Northwestern Ontario, provides more financial resources and avoids additional financial pressures. Covid exasperated the health care issues experienced by communities in Northwestern Ontario. The deficit of doctors, specialists, and nurses has increased significantly, the volume of emergency calls have increased, frontline workers are burned out and staffing shortages are



widespread. The Lake of the Woods District Hospital intensive care unit has closed 14 times since September of last year due to staffing shortages. Red Lake's Margaret Cochenour Memorial Hospital was forced to close the hospital's emergency room on March 26 to March 27 due to a lack of available physicians. Hospital closures are a recipe for life loss especially in Northwestern Ontario when the next nearest ER is 100's of kilometers away. The population in Northwestern Ontario is aging and will require more health services. We need to be equipped with adequate resources to respond to this inevitability to avoid loss of life and inadequate care.

There are a variety of actions that would be helpful to municipalities to help address the needs in the region including more intensive doctor recruitment, the ability to offer incentives for specialists to come and stay in the North, additional short-term financial support to hire temporary health care workers, and updating obsolete technologies and creating a centralized data systems for all doctors to be able to access patient history to better inform their care to name a few. Ultimately, we need more resources to fill the large gaps in our health care system.

Municipalities cannot continue to cut programming or jobs to sustain the increases they are experiencing. The Covid-19 crisis has made it clear that paramedic services must be properly and consistently funded. It is not the time for budget cuts, downloading Covid costs to municipalities, or making decisions on public health and paramedic service modernization plans in a new post-covid world. Furthermore, any future public spending cuts should consider the disproportionately negative effect they will have on Northern Ontario, a region already characterized by relatively low-income. Extensive consultation should be conducted with municipalities and other key organizations to determine how to best modernize the health care system to make it equitable, efficient, and financially sustainable for all.

**NOMA recommends that the Government of Ontario reconsiders changes to the Public Health Unit Funding model to address the affordability concerns.**

**NOMA recommends that the Government of Ontario reconsider the Public Health and EMS Modernization Plan and consult with municipalities and other key organizations to determine an appropriate course of action.**

# APPENDIX

## OMPF Funding Analysis

### Background

Ontario municipalities receive funding through the Ontario Municipal Partnership Fund (OMPF). In 2014 changes were made to OMPF based on input from AMO and municipal representatives and this new program is still in effect today. The OMPF calculation consists of 5 calculation components including:

- Assessment Equalization Grant
- Northern Communities Grant
- Rural Communities Grant
- Northern and Rural Fiscal Circumstance Grant
- Transitional Assistance

### Formula Analysis

In order to determine the impacts of the new OMPF calculation, it is best to look at each of the components individually. For context, the Municipality of Red Lake's funding amounts are used as an example. Below is a table breaking down the OMPF funding received by Red Lake from the 2014 – 2022 into the individual components:

Year	Assessment Equalization	Northern Communities	Rural Communities	Northern and Rural Fiscal Circumstance	Transitional Assistance	Total
2014	110,600	466,000	292,600	9,800	838,200	1,717,200
2015	-	470,000	294,700	6,000	774,800	1,545,500
2016	-	501,400	294,700	6,600	588,300	1,391,000
2017	-	501,700	293,300	6,700	450,200	1,251,900
2018	-	531,700	293,400	11,100	290,600	1,126,800
2019	-	530,600	291,200	8,900	183,500	1,014,200
2020	-	530,900	289,800	13,300	78,800	912,800
2021	-	530,300	290,100	17,800	-	838,200
2022	-	528,200	289,600	17,700	-	835,500

### Assessment Equalization Grant

The assessment equalization grant is designed to “provide funding to municipalities with limited property assessment due to lower property values and limited non-residential assessment.” The calculation weights municipal assessment values (excluding exempt property) against their corresponding tax ratio. Below is a table outlining the 2021 weighting of assessment:

Class	Taxable Assessment	Percentage	Tax Ratio	Taxable Weighted Assessment	Percentage
Residential	395,990,840	79.1%	1.00	395,990,840	60.0%
Multi-Residential	7,920,500	1.6%	1.45	11,452,726	1.7%
Commercial	54,731,602	10.9%	1.98	108,368,572	16.4%
Industrial	36,842,024	7.4%	3.81	140,464,786	21.3%
Other	5,391,000	1.1%	0.70	3,773,700	0.6%
<b>Total</b>	<b>500,875,966</b>			<b>660,050,624</b>	

The total taxable weighted assessment is then divided by the number of households to determine the average per household assessment. The per household assessment is compared to the provincial median and funding is calculated on amounts below the provincial median. For 2021, the Municipality of Red Lake had an average per household of \$312,776 while the provincial median was \$300,000 so no funding was received. This indicates that Red Lake has a strong assessment base.

The shortfall of this component is that it does not take into account the risks associated with high tax ratio resource properties. Most communities with significant resource-based industry presence use higher ratios for those properties creating greater reliance on them for tax dollars. These properties are also at greater risk for assessment appeals for large values over a number of years due to the business's underlying dependence on market conditions. Once these appeals are settled, the communities can experience significant tax cancellations related to multiple years and due to the time elapsed from appeal to settlement they have missed out on the potential for increased OMPF funding to help offset the losses.

#### *Northern Communities Grant*

The northern communities grant is a dollar amount per household provided to all northern municipalities in recognition of the unique challenges they face. The breakdown and translation to 2013 dollars (using deflator tables provided by MFOA) is provided below:

	<b># of Households</b>	<b>Actual Received</b>	<b>Constant 2013 Dollars</b>	<b>2013 Dollars Per Household</b>
2014	2,167	466,000	455,284	210.10
2015	2,191	470,000	450,606	205.66
2016	2,199	501,400	470,399	213.91
2017	2,205	501,700	461,651	209.37
2018	2,206	531,700	476,802	216.14
2019	2,206	530,600	466,986	211.69
2020	2,216	530,900	465,919	210.25
2021	2,214	530,300	444,512	200.77

In 2021, communities received less funding per unit (in constant 2013 dollars) since the inception of the new OMPF formula in 2014 as inflation from December 2013 – December 2021 was 19.0% while the per dwelling rate only increased 11.4%.

### *Rural Communities Grant*

Within the rural communities grant, there are two calculations. One being a per household amount based on the percentage of a municipality's population that resides in a small community or a rural area (area population less than 10,000) called the Rural and Small Community Measure (RSCM). As all the population of the Municipality of Red Lake resides in small community, the Municipality's RSCM score is 100% meaning the Municipality receives 100% of the per household amount. The breakdown and translation to 2013 dollars (using deflator tables provided by MFOA) is provided below:

	<b># of Households</b>	<b>Actual Received</b>	<b>Constant 2013 Dollars</b>	<b>2013 Dollars Per Household</b>
2014	2,167	292,600	285,871.35	131.92
2015	2,191	294,700	282,539.59	128.95
2016	2,199	294,700	276,478.80	125.73
2017	2,205	293,300	269,886.82	122.40
2018	2,206	293,400	263,106.65	119.27
2019	2,206	291,200	256,287.63	116.18
2020	2,216	289,800	254,329.34	114.77
2021	2,214	290,100	243,169.70	109.83

In 2021, communities received less funding per unit (in constant 2013 dollars) since the inception of the new OMPF formula in 2014 as inflation from December 2013 – December 2021 was 19.0% while the per dwelling rate only increased 11.4%.

The second portion of the rural communities grant is based on the amount of farmland in the municipality. In order to qualify, greater than 70% of the Municipality's total land area would need to be farmland. Red Lake does not have any farmland therefore did not receive any funding under the top up.

### *Northern and Rural Fiscal Circumstance Grant*

The northern and rural fiscal circumstance grant is provided to municipalities who are eligible for the northern communities grant or the rural communities grant and is calculated based on a municipality's Northern and Rural Municipal Fiscal Circumstances Index (MFCI). The MFCI consists of the following components:

- Primary Indicators
  - Weighted assessment per household
  - Median household income
- Secondary Indicators
  - Average annual change in assessment (New Construction)
  - Employment rate
  - Ratio of working age to dependent population
  - Per cent of population above low-income threshold

An indicator score is calculated for each of the components based on a comparison to the median for other northern and rural municipalities. Once each component has an indicator score, they are all averaged to get the Municipality's overall score which is then given a number based on where it falls on the MFCI scale. That number is then tied to a per household dollar amount. Below is an illustration of the 2021 MFCI calculation for the Municipality of Red Lake:

	<b>Red Lake</b>	<b>Median</b>	
<i>Primary Indicators</i>			
Weighted Assessment	312,776	287,000	4.9%
Median Household Income	106,411	69,000	74.8%
<b>Primary Indicator Average</b>			<b><u>39.9%</u></b>
<i>Secondary Indicators</i>			
New Construction	0.4%	1.1%	-22.6%
Employment Rate	69.1%	56.0%	68.9%
Working Age to Dependent Ratio	222.8%	170.0%	40.6%
Population over Low-Income Threshold	93.3%	86.0%	73.0%
<b>Secondary Indicator Average</b>			<b><u>40.0%</u></b>
<b>Average Indicator Score</b>			<b><u>39.9%</u></b>

Based on the MFCI scale, the Municipality's MFCI score is assigned a value of .8 (which is very strong) therefore there is only a small amount payable to the Municipality.

Overall, the intent of this component is to allocate dollars to municipalities that need it the most. While the calculation provides a measure to compare individual municipalities to the average, there are shortcomings of this formula, specifically:

- The inclusion of the weighted assessment in the MFCI calculation compounds the effects of situations where assessment appeals take a number of years to settle and/or appeals that affect a number of taxation years (as discussed under the assessment equalization grants).
- The formula does not utilize the market basket measure as part of the calculation. Prior to 2018, household income was the measure of poverty in Canada however, in 2018 *Opportunity of All, Canada's First Poverty Reduction Strategy* established the Market Basket Measure (MBM) as Canada's Official Poverty Line. The MBM is a measure based on the cost of a basket of goods and services that a family or individuals requires to meet their basic needs and achieve a modest standard of living. This measure provides a more comprehensive baseline as it factors in the costs of goods and services as well as income and is more sensitive to differences in the cost of living.
- The formula does not take into account remoteness of the community and its resulting higher costs. Other funding formulas such as the Grants for Student Needs for education funding, include a remoteness factor that takes into account the distance to an urban center and the urban factor of the community itself. This calculation provides a higher rate of funding to school boards and schools that have a higher cost of goods and services due to the community being remote.

#### *Transitional Assistance*

The transitional assistance grant is designed to ensure that northern municipalities receive 90% and southern municipalities receive 85% of the prior year funding.

## Moving Forward

The overhaul of the OMPF funding formula in 2014 was designed to provide funding to the municipalities that need it the most. The new formula takes the right approach however, as illustrated in this document, there are shortcomings of the formula that should be reviewed. Namely:

- Mechanism for accounting for large amounts of cancelled assessment. In instances where large amounts of assessment for multiple years are retroactively cancelled, there should be a re-calculation for those years of OMPF to allow the municipality to realize the same benefit as though the assessment did not exist when the funding amount was originally calculated.
- Indexing per household dollar amounts to help offset some of the impacts of inflation.
- Incorporate the market basket measure (MBM) into the northern and rural fiscal circumstances grant calculation as traditionally the low-income cut-off (LICO) (which is captured by the Population over Low-Income Threshold component), the low-income measure (LIM) (which is captured by the Median Household Income component) and the MBM are used in conjunction to determine poverty levels. With the adoption of the MBM as Canada's Official Poverty Line, the MBM should replace the median household income as a primary indicator and median household income should become a secondary indicator.
- Incorporate a remoteness factor into either the northern and rural fiscal circumstances grant calculation, or the northern and/or rural communities grants to help ensure that communities with higher costs simply due to their geographical location are receiving support.