

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING OF JANUARY 6, 2015
FROM:	GRANT HOPCROFT, DIRECTOR OF INTERGOVERNMENTAL AND COMMUNITY LIAISON
SUBJECT:	PRE-BUDGET SUBMISSION TO THE PROVINCIAL STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

RECOMMENDATION

That, on the recommendation of the Director of Intergovernmental and Community Liaison, the attached pre-budget submission to the Provincial Minister of Finance, our local MPPs, and the Provincial Standing Committee on Finance and Economic Affairs **BE SUPPORTED**.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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The following resolutions were used as the basis for the City's Provincial Pre-budget Submission:

ILDS

In December 2013, Council endorsed the Industrial Land Development Strategy as one of its top provincial infrastructure requests.

Bus Rapid Transit

Municipal Council, at its session held October 22, 2013 resolved:

“working in conjunction with the London Transit Commission, the Civic Administration BE AUTHORIZED to make immediate representation to the Provincial and Federal governments with respect to London’s Bus Rapid Transit Strategy with the objective of gaining approval and commitment for investment in London’s Bus Rapid Transit Strategy”

Transportation Gap

Municipal Council, at its session held October 22, 2013 resolved:

“that the Government of Canada BE REQUESTED to enable additional revenue tools for municipalities to fund transportation and transit infrastructure over and above existing funding programs”

High Speed Rail

Municipal Council, at its session held on May 20, 2014 resolved:

“all Parties in the Provincial Legislature and the Government of Canada BE ENCOURAGED to support finalizing the business case and the beginning of an environmental assessment for implementation of High Speed Rail in the London, Kitchener Waterloo, Pearson Airport, Toronto corridor; it being noted that The Corporation of the City of London reaffirms its support for High Speed Rail serving the City of London; and, Therefore be it further resolved that this resolution BE CIRCULATED to the Premier, the Prime Minister, Provincial and Federal Opposition Party Leaders”

BACKGROUND

At the invitation of the Standing Committee on Finance and Economic Affairs any interested individuals or organizations are provided the opportunity to prepare a pre-budget submission in advance of the provincial government's budget in 2015. The deadline for submissions is January 30th, 2015.

The City's submission built on the Council approved positions related to the Industrial Land Development Strategy, transportation funding, high speed rail, support for the most vulnerable and recommendations from AMO on improving the fiscal health of municipalities. The Standing Committee on Finance and Economic Affairs is hosting several community consultations, one of which is in London the week of January 26, 2015. Mayor Brown will make a presentation to the Standing Committee to present the City's pre-budget submission on January 28.

PREPARED BY:	
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RECOMMENDED BY:	
GRANT HOPCROFT DIRECTOR, INTERGOVERNMENTAL AND COMMUNITY LIAISON	

City of London

Submission to Standing Committee on Finance and Economic Affairs

**2015 ONTARIO PRE-BUDGET CONSULTATION
Unlocking Prosperity
Creating Jobs in London and Southwestern Ontario**

January, 2015



UNLOCKING PROSPERITY CREATING JOBS IN LONDON AND SOUTHWESTERN ONTARIO

INTRODUCTION

London is leveraging its strengths and proven economic development strategies to create new jobs, to grow the economy and to successfully rebuild its historic strength as a regional hub of economic activity. The City is fortunate to have a diverse economy comprised of several key sectors: life sciences, agri-food, advanced manufacturing, digital and creative industries and green energy. Strong community partnerships focusing on attracting and retaining talent; fostering research and innovation; and securing new investment in various fields are contributing to the City's economic recovery.

The City is keen to partner with the province in several areas to promote economic growth and prosperity. Specifically London is seeking job creation support; transit and transportation investments in London; continued investments in research and innovation; enhanced fiscal sustainability through continued uploads and other policy changes; and support for those who are most vulnerable. Intergovernmental cooperation is needed so that London can rebuild, regain and renew.

UNLOCK PROSPERITY IN LONDON

London CMA has a plan to tackle its high unemployment rate which has averaged at 8.5% and 18% for youth (aged 15-25) over the past five years. Thirty percent of all employment in London is on lands zoned as industrial. This is in part due to the City's past efforts to develop key lands so that the private sector can create jobs in key industrial sectors. The City's Industrial Land Development Strategy has generated real results. By acting as "master developer" to acquire, service, market and sell industrial land, the City and the London Economic Development Corporation (LEDC) through industrial park servicing since 2001 have attracted 65 new facilities and approximately 4000 new jobs in key economic sectors with approximately 5700 now employed within these new industrial lands. London's success in building Innovation Park has also received external validation by being selected as a pilot site for the Ontario Investment Ready Site Certification program - with two sites already certified. Much of that success was made possible because of crucial financial support and partnerships with the provincial and federal governments. The City plans to build on this success to attract more jobs to London and spinoff economic benefits to the whole region. Building on previous initiatives, the City would be the master developer of industrial land in strategic locations in the City. Municipal leadership is required since the private sector in London traditionally has not engaged in industrial land development. The reason is that market costs of acquiring land and extending core services are not fully recovered with revenue from land sales due to low market values relative to the cost of development.

As a first phase, from 2014-2019, the City will acquire a minimum of 300 net hectares of developable land. The total cost of servicing is estimated at \$120 million. London is seeking a \$40 million provincial investment to support the servicing plan or \$8 million per year for five years. The City will acquire the land and fund one third of the servicing. The federal government has also been requested to contribute a one-third share for servicing. The newly acquired and serviced land would be marketed by the London Economic Development Corporation to prospective businesses. It would also ensure London is ready to capitalize on the provincial investments in the 401/402 corridor. This strategy was identified as City Council's immediate top priority for new capital funding for job creation in 2014.

Estimates indicate that this strategy could result in 4,600 permanent direct and indirect jobs. Approximately 4,000 person years of construction jobs would also be created from land servicing and the construction of new manufacturing facilities. Past success demonstrates that the return on investment for the province would be significant. Increased assessment values would yield approximately \$27 million annually at full build out in education property taxes as well as substantial corporate income taxes for the province. Projected job creation numbers also indicate generous annual returns through personal income taxes in the tune of \$16 million annually at full build out in 10 years.

This initiative does not only benefit London. In addition to broader provincial goals and maximizing key trade corridor investments, past industrial investments in London have yielded regional supply chain benefits. Companies that have located in London's industrial parks purchase raw materials and services from many suppliers in Ontario. For instance, The Original Cakerie that located in London's Innovation Industrial Park partnered with the Ontario Wheat Producers' Marketing Board. Ontario's wheat producers and dairy and egg farmers will benefit from the company's need for local ingredients. The Original Cakerie estimates spending up to \$30 million per year in agricultural inputs (flour, eggs, cream, fruit and sweeteners) from Ontario and this number is expected to grow annually. Dr. Oetker's new facility in London's Innovation Park is expected to source approximately 11 million kilograms of high-quality ingredients a year from Ontario farmers and food processors. Similarly, other companies in London parks buy

equipment, robotics, automation and other supply chain materials from Ontario companies.

Recommendation:

1. That the Province partner with the City of London and invest a one third share of \$40 million - \$8 million a year for five years - to service industrial land to attract jobs to London and Southwestern Ontario.

INVEST IN TRANSIT AND TRANSPORTATION INFRASTRUCTURE TO ATTRACT INVESTMENT

The City supports the government's \$29 billion *Moving Ontario Forward* plan for transit and transportation infrastructure investments across the province. A province-wide strategy is essential to the collective future and ongoing economic success. London is trying to increase connectivity across the community and attract more investment. Renewed and enhanced transportation and transit infrastructure is central to achieving this goal. Ensuring that employees can affordably reach employment lands by transit and building the roads that support critical employment lands along the 401/402 highway- the NAFTA corridor- is a task that the City alone cannot undertake. The City is currently undertaking an environmental assessment to determine rapid transit options to meet growing transit pressures. Early estimates suggest that a rapid transit system will cost at least \$380 million. The City also faces a current \$90 million transportation gap estimated to grow to \$260 million over the next ten years due to ongoing infrastructure lifecycle needs, growth infrastructure pressures and funding the municipal one-third share for cost-shared projects. The City is seeking provincial support for its rapid transit plans and transportation infrastructure.

The City also fully supports the province's commitment to developing a high speed rail corridor between Toronto-Kitchener-London-Windsor. This kind of investment would be transformational for London's economy. By significantly shortening the travel time between London and Toronto thereby increasing accessibility to both markets, the region would be able to attract more investment and retain more companies and residents who require a strong connection to the GTA for their business needs. The City is pleased that the HSR Environmental Assessment (EA) process has been announced and looks forward to being consulted on this game-changing initiative. The City understands that the *Moving Ontario Forward* financial plan includes provision to ensure that upon HSR EA completion that funding will be available for implementation.

Recommendations:

2. That the Province ensure that Moving Ontario Forward funds will be available to London for future rapid transit infrastructure needs.
3. That the Province continue to advance the high speed rail plans between Toronto-Kitchener-London- Windsor and that the *Move Ontario Forward* financial plan provide the funding necessary for HSR implementation from Toronto to London.

INVEST IN KEY AND EMERGING SECTORS TO FOSTER JOB CREATION

London is fortunate to have several key and emerging clusters that comprise a diverse economy. The City continues to see growth in life sciences, agri-food, advanced manufacturing, digital and creative industries and green energy. Local innovation is being fostered through partnerships between the City of London, Western University, Fanshawe College, London Economic Development Corporation and our business community. There are numerous initiatives underway that could help the province meet broader economic development goals in key sectors if the right investments were made and partnerships forged.

The Life Sciences sector in London is one that continues to prosper and innovate. It is for this reason that the City is interested in the provincial response and next steps regarding the Ontario Health Innovation Council's December 2014 report, *The Catalyst - Towards a Health Innovation Strategy*. In addition to excellence in health sciences research, the city through Western University, Fanshawe College and other partners, contributes significantly to research in the areas of biotechnology, energy, agriculture, chemical and industrial processing and advanced composite materials. The City strongly supports the need for increased funding for research and commercialization in the medical devices field and other key sectors.

The Southwestern Ontario Development Fund has begun to spark economic development in the region. With the continued challenges this region is facing the City urges the province to continue and if possible enhance this program.

Recommendations:

4. The Province should continue to invest in advanced research and its commercialization. Efforts should be made to ensure that the benefits of research funds are shared across the province.

5. That the Province continue to invest in the Southwestern Ontario Development Fund and as appropriate enhance the program to spark further economic development in the region.

IMPROVE MUNICIPAL FISCAL HEALTH

The City of London recognizes the pressures that governments face when trying to balance budgets in lean times. With access to fewer revenue sources than federal and provincial governments and the legal inability to run deficits, municipalities face even greater challenges in economic downturns. The good news is that there are many things that the province can undertake that are low cost, but create savings or generate revenues for municipal government. The City urges the province to move quickly to implement the following low cost high impact measures to help municipalities:

- Simplify reporting requirements while maintaining accountability
- Take action on police and emergency services costs
- Pass the Highway Traffic Statute Law Amendment Act to help municipalities collect unpaid fines
- Ensure growth pays for growth – ensure Development Charges actually pay for growth

In addition to the above low cost high impact measures to improve municipal fiscal health, the City calls for balance to be restored to the interest arbitration system. Escalating emergency services costs are unsustainable. London continues to lag Canada, Ontario and many of its comparable municipalities with respect to many critical economic indicators, and cannot reasonably increase revenues or reduce services to pay for these unsustainable costs. Changes need to be made to the interest arbitration system, particularly with respect to ability or capacity to pay. Ever-rising labour costs mean that fewer resources can be allocated to other priorities such as economic development, infrastructure renewal, affordable housing and pressing municipal issues. The City is committed to providing fair wages and benefits to its employees but is facing increasing challenges with the ability to pay due to external factors such as provincial arbitration settlements and provincial regulations or taxes. The arbitration system needs to be fixed to: consider the ability and capacity to pay; streamline the process to ensure a 12 month completion; outline measurable criteria to evaluate the fiscal health of a community and require arbitrators to provide a clear, written explanation of how the health of the community was considered.

The City of London recognizes and appreciates the provincial commitment to upload social services from municipal governments. These uploads have provided municipal governments with increased financial room to make important investments in their communities. In London this financial relief provides flexibility to invest in key economic development initiatives to grow the economy. The City urges the province to keep its Provincial Municipal Fiscal Service Delivery Review (PMFSDR) commitment to upload remaining services so London can redirect these funds to strategic community initiatives.

Recommendations:

6. That the Province fix the arbitration system by: considering the ability and capacity to pay; streamlining the process to ensure a 12 month completion; outlining measurable criteria to evaluate the fiscal health of a community and requiring arbitrators to provide a clear, written explanation of how the health of the community was considered.
7. That the Province continue to upload the cost of social services.
8. That the Province work with the municipal sector to identify and quickly implement low cost high impact measures to improve the fiscal health of municipalities.

SUPPORT PROGRAMS THAT ASSIST THOSE STRUGGLING IN SW ONTARIO

London and the surrounding region continue to struggle after the economic downturn. With a five year average unemployment rate of 8.5% and 18% for youth (aged 15-25), Londoners rely on various provincial and federal programs for job retraining and ongoing support.

The City is gravely concerned with the potential impacts of the Canada Job Grant and how this is projected to translate to program cuts for other important provincial programs. London supports the province in its federal advocacy to ensure that these programs are retained. In a worst case scenario, the City is urging the province to find the revenue sources necessary to ensure those most vulnerable are able to receive the supports they need to find suitable work and meaningfully contribute to the economy.

Recommendations:

9. That the Province find the revenue sources necessary to ensure those most vulnerable continue to receive the supports they need to find suitable work and meaningfully contribute to the economy.

CONCLUSION

The recommendations presented in this submission if implemented will help London strengthen and enhance its economy. The City is confident that its Industrial Land Development Strategy, modelled on past success, will bring much needed jobs to the City and spin off benefits to the whole region. A successful economy is often based on the efficient movement of goods and services and of people to and from jobs. Future investments in Bus Rapid Transit, transportation infrastructure and high speed rail will transform London's economy. Not only would workers move more freely across the city to new employment lands, but London would have significantly improved access to the GTA possibly securing new investments and attracting and retaining more skilled workers. With an ongoing commitment to research and innovation, London's key economic sectors, such as life sciences, could play a larger role in building Ontario's economy and helping London prosper. It is the City's hope that the Province will implement our recommendations and partner to renew and rebuild the London economy and ensure that London's most vulnerable receive the support they need.