

# MUNICIPAL ISSUES IN NEWFOUNDLAND AND LABRADOR: A BACKGROUNDER

Municipalities in Newfoundland and Labrador, and across the country, are facing extreme challenges.

They have been increasingly required to do more with less, all while having little access to additional revenue tools to support their infrastructure, programming and service delivery needs. The COVID-19 pandemic put extra strain on municipal operations and leaders, something which has been well documented by Municipalities Newfoundland and Labrador and the Federation of Canadian Municipalities. In the past eight months, inflation has become the newest detriment to municipal bottom lines. The cost of delivering services and providing infrastructure has increased while revenue tools have remained the same and no new access to substantial revenue is forthcoming.

In Newfoundland and Labrador, municipalities are in a particularly challenging situation. The 275 incorporated municipalities are small organizations, representing small, decreasing populations. In fact, nearly 78 percent of NL municipalities have populations of fewer than 1000 people. The administrative, legislative and service delivery expectations placed upon these smaller entities are the same as larger ones. In fact, the burden of requirements – legislative and otherwise – and related expectations is arguably higher because they are so small and lack access to the human and capital resources to meet them. MNL has long been advocating for a regional approach to municipal governance and service delivery, an approach which would see municipalities working together and supported in a formalized way to help them meet their requirements as the order of government closest to the people. Despite the release of the Joint Working Group on Regionalization Report and Recommendations on Regionalization in February 2022, very little has occurred to formally advance a regional approach in this province.

Municipalities are in crisis because of the structures in which they find themselves. They are set up to fail as a result of the lack of the very mechanisms that are supposed to be supporting them, namely: broader tools for municipal fiscal stability, access to long-term stable funding for sustainable municipal infrastructure, formalized structures for regionalization, and modern legislation. This brief outlines each issue with recommendations for moving forward.



## Municipal Fiscal Stability



Municipalities in Newfoundland and Labrador are not in a fiscally stable position. While they do have to produce annual balanced budgets to the Government of Newfoundland and Labrador, they do so at the expense of service delivery, shifting their priorities and residents. Municipal Operating Grants (MOGs), a provincial per capita operational allotment to municipalities (with the exception of the largest seven in recent years) are a core tool for municipal fiscal stability. In the mid-1990s, MOGs to the sector exceeded \$50 million. A decade ago, they dropped below \$20 million and have remained at \$22 million since 2015. The consumer price index indicates that today's prices are 1.25 times as high as they were in 2015. Taking inflation into account, \$22 million is equivalent in purchasing power to nearly \$28 million in 2023. The provincial MOG allotment has not accounted for inflation. Government committed to protecting that investment in last two budget cycles; however, it is not enough. Municipalities need access to MOGs which account for inflation. They cannot continue to do more with less.

MNL is advocating for an increase in MOGs to account for inflation. It is demanding that government be transparent and clear in the development of a policy around the MOGs, which details how they are and should be calculated now and into the future. MNL requires a seat at this decision-making table.

## Sustainable Municipal Infrastructure



Municipalities are responsible for at least 60 percent of the public infrastructure in our communities. The demands on existing infrastructure are only increasing, as a result of the age of this infrastructure, poorly supported asset management processes on the part of the provincial government, the lack of stable, non-competitive infrastructure funding, and the absence of a long-term municipal infrastructure plan, developed in partnership with the municipal sector.

The province supports municipal infrastructure through its own funding sources via the cost-shared municipal capital works program. All other municipal infrastructure is funded through and by agreements with the Federal Government, namely the Canada Community Building Fund (formerly the Gas Tax Fund) and the Investing in Canada Infrastructure Program (ICIP), which is set to sunset in 2024. These too have provincial and municipal cost-sharing components.

Recent adverse climate events only place more pressure on already precarious municipal infrastructure. We are seeing this here, and elsewhere across the country. However, municipalities are at the mercy of other orders of government for funding to address these issues. These funding programs, namely the Newfoundland and Labrador Disaster Financial Assistance Program and the Government of Canada's Disaster Mitigation and Adaptation Fund are difficult to access and administratively burdensome for municipalities. We are also aware that claims are often denied.

The Federal Government's Fall Economic Statement (p.35) indicates that \$212.8 million or 38 percent of Newfoundland and Labrador's allotment for ICIP remains unspent and needs to be allocated by March 31. At a time when infrastructure needs are at an all-time high and access to funding is imperative, any funding potentially left on the table is not acceptable.

MNL members are clear that the provincial government's approach to municipal infrastructure and related funding requires change. They passed an infrastructure resolution addressing this at the 2022 Annual General Meeting. As the advocacy organization representing them, MNL is following their lead. We are requesting more transparent and available information on how and where infrastructure is funded; we are demanding a long-term municipal infrastructure plan.

## Regional Approaches



As noted above, MNL has been advocating for regionalization in the municipal sector for over a decade. Municipalities cannot carry on as they are doing. Minister Krista Lynn Howell's mandate letter indicates the need to advance regional approaches where possible. Again, since the release of the Regionalization report we have seen very little commitment to making this possible. We need a robust commitment to regionalization from the provincial government. Without it, municipalities will be in a more difficult circumstance than they already are. This is not acceptable, and we have the tools to make change. We need political will.

## Municipal Legislation



Newfoundland and Labrador's municipal legislation is out of date. MNL has been advocating for change to the Municipalities Act, and the implementation of new legislation for a decade. As a province, we are behind most of the rest of the country in modern, enabling municipal legislation. We have been told that legislation is coming for more than 3 years, and we have seen no advancement on this file. Legislative change is needed now. This is not only true for the Municipalities Act, but equally true for the legislation guiding the three cities in our province. Legislation is a provincial responsibility. Municipalities are creatures of the province. If we are to support "sustainable communities as the building block of our province", as indicated in the Minister's mandate letter, then a clear and immediate commitment to legislative change is necessary. As with all things, MNL requires a seat at the table in all decisions and conversations that impact our members.