



FINANCE
DEPARTMENT/COMMUNITY AND
CORPORATE SERVICES
MEMORANDUM

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TO: MAYOR J. LEHMAN AND MEMBERS OF COUNCIL

FROM: C. MILLAR, DIRECTOR OF FINANCE/TREASURER AND D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

NOTED: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RE: IMPACTS OF PROVINCIAL LEGISLATIVE CHANGES (ALL WARDS)

DATE: JUNE 3, 2019

The purpose of this memorandum is to provide members of Council with an update concerning the impacts associated with a number of legislative changes introduced and/or implemented recently by the Province of Ontario. As a number of the proposed changes have been tabled by the Province but have yet to go through all three readings, the information provided in this memorandum is at a high level and may change depending on the final outcome of the legislation and the implementation details (which are not available at this time).

It is important to note that a portion of these changes are in effect for 2019, meaning that any cuts to funding were announced by the Province after the budgets for these services were approved. As a result, these services are expected to see operating deficits in 2019 (that will need to be funded) and further pressure for 2020 and beyond.

On Monday, May 27, 2019, the Province provided correspondence indicating that it would maintain the in-year cost sharing arrangements for land ambulance, public health and child care services. This delay in the implementation of the cost sharing allocations for these specific services is welcomed as it will allow for proper consultation with municipalities and evaluation of any impacts for future years.

The following is an overview of the changes and the anticipated impacts to the City's operating and capital budgets directly as well as impacts to the Service Partner budgets that are funded by the City, based on the information available at this time:

Impact on Operating Budgets – City Services

Transit - Provincial Gas Tax

Ontario's Gas Tax Fund was launched in 2004 to provide reliable and flexible funding to Ontario communities with transit. The program was made permanent in 2013 and has become a vital source of transit funding for municipalities. In January 2017 the provincial government committed to phase in increases to the program, starting in 2019/20, moving from 2 cents per litre to 4 cents per litre by 2021/22 basically committing to doubling the contributions to municipalities. Provincial Gas Tax allocations are based on a formula of 70% ridership and 30% population. Through the 2018/19 program the City of Barrie received \$2,284,068 (based on 2017 data) and allocates approximately \$2.1M annually to the operating budget. This additional funding would play an important role to maintain affordability in the service as the City of Barrie is planning for growth in the transit system to 2041.

In April 2019, the provincial government cancelled the increase but has committed to review the program. MTO is preparing for consultations from May to July 2019 with a goal to make an announcement at AMO in August.



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Transit College/University Ancillary Fees - UPASS

In the winter of 2018, the Georgian College students held a referendum and voted in favor of the mandatory UPASS ancillary fee, where each full-time student would be required to pay a heavily subsidized transit pass as part of their tuition. Following the implementation of the UPASS in September 2018, ridership had grown over 30% when compared to the same time period from the previous year. With ridership and revenue at an all-time high, investments into the transit system were also made to improve services, including the City's first express route.

In January 2019, the provincial government announced a Student Choice Initiative, aimed at reducing the cost of post-secondary education for students, where students could opt-out of the ancillary fees, including the transit UPASS programs. After hearing from the stakeholders, in February 2019, the Minister of Training Colleges and Universities (MTCU) issued a release that UPASS agreements between transit agencies and universities would remain on the list of mandatory fees. However, any new UPASS's will have an opt-out basis. The City of Barrie has a 3 year agreement with an option to extend for an additional 2 years with Georgian College. Due to the fact that the City of Barrie has an existing contract, there would be no need to perform another referendum vote at the end of the agreement, unless the student council at that time feel the students should vote again. As a result there is a risk to existing UPASS agreements if students vote against the UPASS in a future referendum.

The Small Business Centre

In April of 2019 the Small Business Centre received notification from MEDJCT that the Small Business Centre program along with its Summer Company and Starter Company programs are to continue for the next three years.

Annual funding for the Small Business Centre's core operating budget would remain at the same level as the previous five years (\$105,935), thereby taking no account of the Centre's increased operational expenses. Furthermore, operational funding (program administration) for the Centre's two main entrepreneurship programs (Summer Company and Starter Company Plus) are to be reduced by 21% and 50% respectively year over year, with a combined reduction in Provincial funding of \$24,500 per year for operating and further cuts to grant funding to entrepreneurs. The Province has also discontinued its support of third-party organization funding to deliver the Summer Company Program. This included the YMCA covering Barrie and Simcoe County. As such, all service demands associated with Summer Company will be directed to the Small Business Centre.

The overall effect of static operational funds combined with the reduction in program administration funds for Starter Company Plus is that there will be an operational shortfall of just under \$50,000 in salaries and fringe benefits alone for the remainder of 2019. This number increases to \$70,000 in the full calendar years for 2020 and 2021 to maintain the same levels of service, knowing that additional service demands will be placed on the Centre for Summer Company.

Environmental Services

Municipalities will be required to provide real-time reporting of sewage outflows, which may increase the staff resources needed and cost of providing this service. Staff are analyzing the impact of this change. In addition, there is uncertainty with respect to a proposal regarding to how waste is managed in the Province and increasing the diversion of waste from landfills as well as Extended Producer Responsibility for reduction, reuse and recycling.



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Impact on Operating Budgets –Service Partners

Public Health

Currently, the cost sharing arrangement is 75% Provincial : 25% municipal cost share. The Province has announced the cost-share arrangement for areas other than Toronto will be 70% Provincial : 30% municipal and by 2021-2022, it is proposed to change to 50:50 for the larger regions. While the changes to cost sharing with the Province were initially identified as retro-active, on May 27, 2019, the Province sent correspondence indicating that it would maintain the in-year cost sharing arrangements for land ambulance, public health and child care services.

Currently, the City of Barrie contributes approximately \$1.58 M to the Simcoe Muskoka District Health Unit. The change in the proposed cost share results in an additional \$362,564 that would be required from the City of Barrie in 2020 (based on the 2019 budget amount and not including any inflationary increases). By 2021-2022, the municipal contribution would increase to \$3,625,640.

However, there may be cost savings associated with the Province's plans to restructure the current 35 public health units to "10 regional autonomous entities". Provincially, this is intended to result in an annual savings of \$200 million by 2021–22. As well, the Province has indicated it will fully fund a new 'seniors dental care' program. At this time, staff are unable to determine specific offsetting savings for Barrie from these changes.

Paramedic services and Land Ambulance Dispatching

The Province had sent notification to the County of Simcoe that the 2019/2020 base funding amount it provides would be frozen at the 2018/2019 level, which in turn is based on the 2017/2018 operating costs. The City currently contributes approximately \$6,282,000 to the County of Simcoe for the delivery of paramedic services. The impact of this change based on the County's 2019 budget is anticipated to be an increase for the City of Barrie of approximately \$304,926 for Barrie's portion of the County funding. In addition, the anticipated 2019 increase in Provincial funding of an estimated \$30m to \$35 million will not occur.

As noted early, on May 27, 2019, the City received notice that the alterations to the cost-sharing arrangement would not be applied retroactively for 2019. At this time, it is staff's anticipation that the changes to the cost share will be implemented in 2020.

The Province also advised that it was investigating re-structuring the 52 municipal services (plus First Nations and Ornge) including dispatch centres. The Provincial government has indicated it will streamline the way land ambulance dispatch services are delivered by better integrating Ontario's 59 emergency health services operators and 22 dispatch centres. The impact of these changes are not known at this time.

Child Care

The Province has announced that the expansion of new child care spaces will be subject to 20% municipal contribution, where previously there was no municipal contribution. In addition, it was announced that the allowable administration threshold is being reduced from 10% to 5% with the Provincial subsidy program reduced by \$80m for 2019. While Child Care services are delivered by the County of Simcoe, the City of Barrie cost shares in this service on a caseload basis. The County of Simcoe is currently reviewing the impact of this change on the apportionment of its costs to its municipal partners. Based on the May 27, 2019 correspondence from the Province, it anticipated that these changes would be in effect as part of the 2020 budget.



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Social Assistance

The Province's budget goal of an estimated annual saving of over \$1 billion (at maturity based on changes from its program review) should not affect municipal governments in light of the upload of the benefits for Ontario Disability Support Program, Ontario Drug Benefit and Ontario Works. However, the impact for the municipal administration function is unclear as municipal Ontario Works employment services are to be integrated in provincial Employment Ontario network.

Social Housing

\$4B in combined federal and provincial funding over next nine years was announced through the National Housing Strategy Canada-Ontario bilateral agreement. This includes funding for social housing repair and new housing. The specific funding amount and any positive impact on the City of Barrie's contribution of approximately \$6.935M to the County of Simcoe for the provision of Social Housing in 2019 is unclear.

Conservation Authorities

A \$3.7 million (50%) annual cut from the \$7.4 million annual transfer payment for the Natural Hazard Program has been announced even though the program has had no adjustment, including inflationary adjustment for many years. As a result, the Lake Simcoe Region Conservation Authority and Nottawasaga Valley Conservation Authority could look to municipal governments for increased funding to offset the cut. Currently the City of Barrie contributes \$673K in tax rate funding and 1.062M towards its Conservation Authorities. It is staff's understanding that this cut will reduce funding for the Lake Simcoe Region Conservation Authority by \$69,000 and the Nottawasaga Valley Conservation Authority by \$90,000. If those cuts are passed onto the municipalities, Barrie's portions would increase by approximately \$7K for the Lake Simcoe Conservation Authority and \$14K for the Nottawasaga Valley Conservation Authority.

Library Services

The Southern Ontario Library Service and the Ontario Library Service-North now face a 50% in- year funding cut for 2019/2020 of about \$2M. The Barrie Public Library has placed its Inter-library loan program on hold while it considers the Provincial decision and potential options. It is also important to note that the base funding provided to the Barrie Public Library by the Province has not been increased in a number of years and as a result, is not keeping up with inflation and increasing pressure on municipal tax rates.

Policing Grants

Barrie Police Service was notified of significant reductions in grant funding for 2019 (Court Security Prisoner Transportation Grant and the Policing Effectiveness Grant. As a result of the grant funding reduction, Barrie Police Service is currently projecting an overall deficit of \$326,917 at this time.

The Province is consolidating funding envelopes for its policing grants and has indicated the total grant funding amount will not change. However, OPP will now be eligible to apply for the grant funding as are First Nations. As a result, the total grant funding will be spread across more police forces. Some forces may be impacted less than others, as a new Guns and Gang fund that has been announced.

Should Barrie Police Service experience a deficit at year end in 2019, it is anticipated that the Service would seek funding from the City to offset the deficit. It is also of note that any reduction in grant funding for future years, will likely result in a request to increase the funds provided by the City to the Barrie Police Service.



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Homelessness Prevention

A planned increase of \$15M to the Community Homelessness Prevention Initiative-is no longer proceeding. At this time, the City had not accessed any funds through this program. However, it was a possible funding source for a number of initiatives under discussion with Service Partners and community organizations to address homelessness in Barrie.

Impact on the City's Growth Related Capital Projects and Overall Financial Condition - Bill 108

On May 2, 2019, the Minister of Municipal Affairs and Housing announced the Province's Housing Supply Action Plan and introduced Bill 108 (More Homes, More Choices Act) in the Legislature. The Bill proposes to amend 13 statutes including the Development Charges Act. The Bill is expected to be debated over the coming weeks and/or months.

The Bill's main areas of focus are:

- a) Changes to Eligible Services – the Bill proposes to remove “soft services” from the Development Charges Act, with the exception of Protection services
- b) Waste Diversion – the Bill proposes to remove the mandatory 10% deduction for this service
- c) Payment in Instalments over 6 years – the Bill proposes that rental housing, non-profit housing and commercial/industrial/institutional developments pay their DCs in 6 equal annual payments commencing the date of occupancy
- d) When DC Amount is Determined – the Bill proposes that the DC amount for all developments proceeding by site plan or requiring a zoning amendment shall be determined based on the DC charge in effect on the day of the application
- e) Soft Services to be included in a new Community Benefit Charge under the Planning Act – the Bill proposes that a municipality may, by by-law, impose community benefits charges against land to pay for the capital costs of facilities, services and matters required because of development or redevelopment in the area to which the by-law applies.
 - i. Before passing a community benefits charge by-law, the municipality shall prepare a community benefits charge strategy
 - ii. The amount of the charge payable shall not exceed an amount equal to the prescribed percentage of the value of the land
 - iii. The valuation date of the land is the day before building permit issuance
 - iv. Valuations will be based on appraised value of land
 - v. All money received shall be paid into a special account
 - vi. In each calendar year, a municipality shall spend or allocate at least 60% of the monies that are in held in a special account at the beginning of the year
 - vii. Requirements for annual reporting shall be prescribed
 - viii. Transitional provisions are set out regarding the DC reserve funds and DC credits

Although details regarding the implementation of the Bill have not been released, if the Bill is passed as written, it would have a significant impact on the City's financial condition, the ability to ensure that “growth pays for growth” and the provision of community facilities (parks, recreation centres, libraries, etc). It will also impact the City's ability to secure parkland, *Planning Act* application processes and matters related to heritage conservation.



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The proposed Bill 108 would remove development charges (DCs) for growth-related parks and capital facilities from the *Development Charges Act*. These Dcs would be replaced with a capped community benefit charge regime in Section 37 of the *Planning Act*. Approximately \$196 million in DC funding is allocated to growth-related parks amenities and recreation capital infrastructure projects in the City's 2019-2028 Capital Plan (excluding carry forwards), with both the Hewitt's and Salem Community Centres and Libraries representing the largest individual projects with estimated costs of over \$90 million each (excluding the cost of land acquisition).

The full extent of the financial impacts of the proposed amendments to the City have yet to be quantified. This is due, in part, to the lack of detail that would be included in a yet-to-released provincial regulation. Should Bill 108 be passed as proposed, it is likely that Council would be forced to make decisions regarding the adjustment of City-wide service levels or consider increases to property taxes to fund community-oriented services, such as parkland, recreational centres, libraries, etc. and other community benefits necessary to build a livable community. The changes proposed by Bill 108 would also impact the City with additional administration and operational burdens.

It is staff's understanding that two-thirds of Ontario's 444 municipalities are in the process of updating their Development Charges By-laws. Staff will be providing comments with respect to the proposed Bill and the anticipated impact. The full impact of many of the proposed Bill 108 amendments will be assessed when implementation details, to be outlined in provincial regulations associated with the Bill, become available.

Conclusion

The changes proposed by the Province are happening quickly and subject to future regulations with the necessary detail to assess the impact of these changes. Staff will continue to update Council through memorandums and reports as further information with respect to the financial impact and administrative processes related to these changes are identified.