



City of
Peterborough

To: **Members of the Committee of the Whole**

From: **Sandra Clancy, Director of Corporate Services**

Meeting Date: **June 19, 2017**

Subject: **Report CPFS17-032
Implications of Ontario Works Cost Sharing Upload**

Purpose

A report to provide implications of the end of the Ontario Works cost sharing upload.

Recommendation

That Council approve the recommendation outlined in Report CPFS17-032 dated June 19, 2017, of the Director of Corporate Services, as follows:

That Report CPFS17-032 regarding the implications of the end of the Ontario Works cost sharing upload be received for information.

Budget and Financial Implications

There are no budget and financial implications arising from this report.

Background

As a result of deliberations on the 2017 Operating Budget, Council at its meeting of December 12, 2016, passed the following resolution:

That staff provide a report in 2017 on the implications of the end of the Ontario Works cost sharing upload (page 125 of the Budget Highlights Book).

Historical Context

In 1996, the provincial government of the day convened the “Who Does What” Advisory Panel to advise the government on ways to eliminate duplication, over-regulation and blurred responsibility for the delivery of local and provincial services. The panel distinguished between “hard” services delivered to property (for example, road maintenance and sewers) and “soft” services delivered to people (for example, social assistance and education). It generally recommended shifting responsibility for funding hard services to municipalities and soft services to the Province.

In 1998, the provincial government responded by imposing the Local Services Realignment (LSR), which uploaded the costs for public education to the Province, creating property tax room at the municipal level while downloading full or partial responsibility and costs for social housing, social assistance, public transit, child care, public health and land ambulance services to municipalities. The Province provided the Community Reinvestment Fund (CRF) to address local fiscal capacity, and committed that the process would be revenue neutral. In the 2001 Annual Report, the Provincial Auditor concluded that the CRF did not meet the previous government’s guarantee of the revenue neutrality of LSR. From a municipal perspective, the LSR exercise was felt to be more about arbitrary fiscal savings targets than about improving service delivery and accountability.

In the same decade, the provincial government also transferred major assets, including more than 200 water treatment plants, 5,000 kilometres of highway and the related bridges, and roughly 250,000 social housing units, to municipalities. These assets, which were in variable states of repair, added considerably to the infrastructure responsibilities of most municipalities. At the same time, the Province provided municipalities with one-time funding for transitional assistance (\$335 million for roads and \$175 million for non-profit housing) – funding which was woefully inadequate.

In December 2006, the provincial government, the Association of Municipalities of Ontario (AMO) and the City of Toronto began working together to examine and update provincial-municipal arrangements. This mutually agreed-upon review reflected the commitment to cooperation and consultation set out in the **Municipal Act, 2001** and the **City of Toronto Act, 2006**.

In the fall of 2008, through a Provincial Report entitled “Provincial-Municipal Fiscal and Service Delivery Review – Facing the Future Together”, the Province outlined its ‘Plan’ to fully upload a number of programs that were either fully funded at the municipal level or cost shared with the Province.

Ontario Drug Benefit and Ontario Disability Support

The Plan had several elements to it. The Ontario Drug Benefit (ODB) program and Ontario Disability Support Program (ODSP) were the first programs to be fully uploaded. Chart 1 shows the upload of these programs over the years 2007 to 2011 and the

estimated amount the programs would have cost the City of Peterborough, over the years, if the City had continued to pay its municipal share.

Chart 1
Schedule and Value of Uploaded ODB and ODSP Costs

ODB and ODSP – Provincial shares							Approx value in 2017 (1,000's)
	2007	2008	2009	2010	2011	Ongoing	
ODB	80%	100%	100%	100%	100%	100%	\$3,092
ODSP Admin	50%	50%	100%	100%	100%	100%	\$969.7
ODSP Benefits	80%	80%	80%	90%	100%	100%	\$10,825

Ontario Works

Starting in 2010, the Province committed to uploading: Ontario Works (OW) – Mandatory Benefits, OW - Discretionary Benefits and portions of Addiction Services and OW Administration. Chart 2 shows the upload rates to full upload in 2018.

Chart 2
Schedule and Value of Uploaded OW Costs

Ontario Works Cost Sharing of Basic Financial Assistance									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Municipal Share	19.4%	18.8%	17.2%	14.2%	11.4%	8.6%	5.8%	2.8%	0%
Provincial Share	80.6%	81.2%	82.8%	85.8%	88.6%	91.4%	94.2%	97.2%	100%
Approx. Annual value to City (thousands)			\$2,991	\$984	\$1,482	\$871	\$824	\$940	\$869
Approx. Cumulative value to City (thousands)	-	-	\$2,991	\$3,975	\$5,457	\$6,328	\$7,152	\$8,092	\$8,961

Court Security

Since the late 1980s, a municipality such as Peterborough, in which a provincial court is located, has been responsible for the related security costs, although the court itself is run by provincial officials and its administration falls under the Ministry of the Attorney General. Court security is delivered by municipal police services or the OPP under contract to the municipality, depending upon the municipality.

The upload value for each municipality is based on their relative share of the total 2010 municipal costs. All municipalities, regardless of whether they hosted a court or not, were asked to itemize their 2008 and 2010 court security and prisoner transportation expenses. From 2012 – 2018, the upload increased by 1/7 in each of those years to reach a full value to \$125 million by 2018. In the City of Peterborough, the grant is reflected in the Police Services Budget.

Chart 3

Court Security – Provincial Share								
	2011	2012	2013	2014	2015	2016	2017	2018
Provincial Share	-	14%	29%	43%	57%	71%	86%	100%
Additional Grant Amount		\$118.8	\$118.9	\$118.8	\$210.9	\$141.9	\$181.8	\$148.5
Cumulative Amount (thousands)		\$118.8	\$237.7	\$356.5	\$567.4	\$709.3	\$891.1	\$1,039.6

Cumulative Value of Upload in 2017

Altogether, the upload impact in 2017 has an estimated value to the City of \$23.8 million. Incrementally, the value from 2017 – 2018 Provincial budget year, which will fall into the City's 2018 budget, is estimated to be \$869,000 for Ontario Works and \$148,500 in Police Services for Court Security for a combined value of \$1,009,500.

Redeployment of Upload Dollars

The Plan clearly stated municipalities benefiting from the upload of the benefit programs over time, will have greater room in their budgets for infrastructure spending and other municipal priorities. The Plan went on to say that municipalities are in the best position to build and manage the infrastructure on which local residents rely most heavily and from which they derive most of the benefits.

It is impossible to say exactly where the upload is allocated to each year because, in general, it has fallen to the bottom line. However, the upload has had a positive impact in the following ways:

- Mitigating Tax Increases – Keeping tax increases at a reasonable level as well as cushioning tax increases elsewhere in the Operating Budget while staying within Council mandate. Some of the funds have offset increasing administrative expenditures and program costs throughout the corporation and in particular the Social Services Division.
- With the City's share of the costs less than they were previously, there is a reduced risk related to caseload fluctuations and cost per case, with the exception of administration, which remains at 50% funding.
- With the Social Services and Housing Divisions, there are some enhanced municipal services that most likely would not have been affordable without the upload. Examples include:
 - Discretionary benefits – including a staff proposal for 2018, the 2014 – 2018 net requirements will have increased by \$361,000. Specific increases include dentures, recreation subsidy and for 2018, increasing internal policy limits for dentures and eye glasses;
 - Rent supplements – annual ongoing cost of \$100,000;
 - Homelessness – including a staff proposal for 2018, the additional net requirement will increase \$163,000 over the 2016 – 2018 budget years. The funds have been used to help fund the drop-in centre, Warming Room and Housing Stability Fund. The base budget funding for Emergency Shelters are also supported with these funds.
- Tax increases that would otherwise have been directed to the Operating Budget have been redirected towards capital financing for various capital works. The following Chart 4 provides a summary of the rate increases from 2002 – 2017. Operating tax increases pre-upload averaged 3.01%, whereas after the upload they have averaged 1.80%.

Chart 4
Summary of Rate Increases from 2002-2017

Budget Year	All-Inclusive Rate	Capital	Operating only	Avg
2002	2.50%	-0.37%	2.87%	3.01%
2003	-3.70%	-0.12%	-3.58%	
2004	8.00%	0.79%	7.21%	
2005	5.20%	2.14%	3.06%	
2006	5.80%	-0.37%	6.17%	
2007	2.90%	0.60%	2.30%	
2008	1.70%	0.42%	1.28%	1.80%
2009	2.00%	-0.71%	2.71%	
2010	2.20%	0.74%	1.46%	
2011	1.80%	1.09%	0.71%	
2012	2.50%	0.37%	2.13%	
2013	3.00%	1.00%	2.00%	
2014	3.00%	1.00%	2.00%	
2015	3.00%	1.00%	2.00%	
2016	3.00%	1.00%	2.00%	
2017	2.72%	1.00%	1.72%	

As indicated in Report CPFS17-031 2018 Debt Capacity Limit also being presented on June 19, 2017, the amount of new funds that have been directed towards the capital program from 2013 - 2017 approximate \$71.7 million.

Budget Impact to City in 2019

Costs in the affected programs will be 100% uploaded in 2018. The upload benefit that the City has experienced for 10 years will not be available for the 2019 budget. However, for the programs that are now 100% funded by the Province, there is also no risk for the City of Peterborough in terms of budget increases. Any operating budget impacts in the Social Services Division will be the result of one of the following:

- Program increases that are above predetermined provincial funding caps such as Discretionary Benefits;

- Program increases that are not 100% funded by the Province such as OW Admin at 50% - City 50%; or
- Program increases for other Social Services programs outside of the upload.

If status quo is assumed and no new enhancements were contemplated, the estimated 2019 impact resulting from the upload ending in 2018 is limited to inflationary pressures in the non-upload programs – approximately \$150,000. Impacts to the Court Security budget are unknown at this time.

Internal Priorities/Community Needs identified by Social Services

There continues however, to be various needs in the community that have been identified by staff. Staff propose that these amounts be included in 2018 and future Draft Operating Budgets for Council consideration. The needs identified include:

1. Discretionary Benefits

- **Dentist fee schedule** - Dental benefits continue to go down, which would suggest needs in the community are being met, however, staff would like to consider an increase to Dentist fee schedule to bring it up to a more current level - \$56,000. Depending on community need, some or all of the additional cost may be able to be absorbed within the existing budget.
- **Vision/Dentures** - Would like to implement increase to coverage amounts of Vision care by \$100 from \$250 to \$350, and Dentures by \$200 from \$1,500 to \$1,700. Most of this can be covered within existing budget as costs are under spending on dental line - potential impact of \$20,000.

2. Affordable transit – As noted in Report USTR17-013 Transit Affordability Program Update, dated June 19, 2017, the recommendations would result in a fare reduction of \$200,000 plus cost of admin to transit and social services in the amount of \$30,000.

3. Rent supplements and or rent arrears (Housing Stability Fund) – a further increase in the amount of \$75,000 to benefit the community.

4. Community well being plan and Age Friendly plan - program priorities including Seniors Coordinator position \$80,000.

Summary

The upload of 'soft' costs to the provincial level has greatly benefited the City of Peterborough. In partnership with the provincial and federal governments, the City has been able to focus on investments in infrastructure as well as a number of other priorities in the community.

Submitted by,

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