



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 19, 2019
SUBJECT/REPORT NO:	Impact of Provincial Policy Changes (FCS19053) (City Wide)
WARD(S) AFFECTED:	City Wide
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COUNCIL DIRECTION

On May 2, 2019, staff submitted “2019 Provincial Funding Update (HSC19023)” to the Emergency and Community Services Committee (ECS). Information from Report HCS19023 was very preliminary and did not include other provincial impacts that have been announced since the 2019 Provincial Budget. Therefore, staff committed to bring an update to Council by the end of June, 2019.

INFORMATION

The Province presented its 2019 Budget on March 29, 2019 and it included a number of references to changes in shared programs but with little detail. Staff was not able to comment at that time on any impacts that may occur. As the details started to be announced, staff began an analysis and provided an update to the May 2, 2019 Emergency and Community Services Committee through Report HSC19023. Since that time, a number of new announcements have occurred, further details have emerged related to previous announcements and the Province has reversed its position on a number of the funding reductions announced and included in the May 2, 2019 Report HSC19023.

Report FCS19053 provides an update based on known information to date. However, the process remains quite fluid and further updates may be required. Staff is aware that some mitigation measures may be required to offset the 2019 impact. However, this will be reviewed in context to the overall 2019 forecasted operating variance which will be reported to Council in July. Mitigation of 2020 pressures will be discussed in an upcoming “2020 Budget Guidelines, Preliminary Outlook and Process” report scheduled for July as well.

Summary

The May 2, 2019 Healthy and Safe Communities (HSC) staff Report HSC19023 “2019 Provincial Funding Update” indicated to Council that the City was facing pressures of about \$8.9 M for 2019 and \$10.2 M for 2020 as a result of provincial policy changes related to Children’s Services, Long-Term Care, Paramedics, Ontario Works and Public Health Services.

The Province has since announced that it will be reversing the announced changes related to 2019 for Children’s Services, Paramedics and Public Health Services. Staff does not expect that this reversal will completely eliminate the 2019 change. At this time, not all of the details are available but staff is estimating that the previous \$8.9 M shortfall in 2019 will now be about \$2.9 M.

The recent reversal of funding cuts currently only applies to 2019. The 2020 impact of \$10.2 M has been updated as staff continue to receive additional information. From this information, staff has updated the 2020 impact to \$12.1 M.

In addition to the HSC funding impacts, there could be impacts related to changes resulting from the proposed Bill 108 “*More Homes, More Choices Act (2019)*”. For 2019, staff does not anticipate any impacts. However, for 2020 the impacts could be significant. Once the regulations surrounding Bill 108 are known, including regulations surrounding Community Benefit charges, staff will assess what the impacts will be to the City. There are other impacts that may occur in Planning and Development related to significant potential staffing requirements to meet minimum response standards. However, more information is required before the impact can be estimated. Further details are presented later in Report FCS19053.

Finally, the City is also impacted by the Province’s current inaction on clarifying Conservation Authority (CA) levy apportionment. A recent court decision dismissed the City’s claim against the apportionment of the Niagara Peninsula Conservation Authority. There is potential for a 2019 unbudgeted cost of \$2.5 M based on all Conservation Authority levies. This would also be a pressure for the 2020 Budget.

Table 1

Estimated Impact of Provincial Policy

	2019 Levy Impact	2020 Levy Impact
Healthy and Safe Communities Funding	\$2.9 M	\$12.1 M
Bill 108	0.0 M	2.0 M
Conservation Authority Apportionment	<u>2.5 M</u>	<u>2.5 M</u>
Total	<u>\$5.4 M</u>	<u>\$16.6 M</u>

Average Residential Tax Impact 1.9%

Overall, staff is estimating that the City will have a 2019 shortfall of \$5.4 M and a 2020 budget pressure of \$16.6 M (adding about a 1.9% tax impact). The 2019 shortfall will be incorporated into the first variance report scheduled for the July 11, 2019 Administration, Finance and Audit Committee meeting. The 2020 budget pressures will be incorporated into the “2020 Budget Guidelines, Preliminary Outlook and Process” report scheduled for the July 8, 2019 General Issues Committee (GIC) meeting.

Healthy and Safe Communities Update

At the May 2, 2019 GIC, staff reported the 2019 annual funding for the Healthy and Safety Communities Department included Provincial funding of \$324 M and expected an annual 2019 allocation of about \$314 M based on confirmed allocations, as well as, assumptions based on known information at that time, resulting in a shortfall of about \$10 M. The prorated 2019 shortfall was expected to be about \$8.9 M. Staff has since received updated information and have provided an update below.

As indicated above the Province has since reversed changes for 2019 to Children’s Services, Paramedics and Public Health Services. However, changes for 2020 are still expected to continue as initially announced.

A breakdown of the updated funding by divisions is provided in Table 2.

Table 2

Impact of Provincial Funding Announcements

Division	Provincial Funding (M's)			
	2019 Expected Annual Funding	2019 Prorated Impact	2020 Expected Annual Funding	2020 Annual Impact
Children's Services and Neighbourhood Development	\$ 73.3	\$ 1.1	\$ 68.8	(\$3.4)
Housing Services	22.4	(0.1)	22.6	0.1
Long-Term Care	21.4	(0.1)	20.9	(0.7)
Hamilton Paramedic Service	24.4	(1.9)	24.4	(1.9)
Ontario Works	139.1	(1.5)	139.1	(1.5)
Recreation	0.4		0.4	
Public Health Services	<u>36.7</u>	<u>(0.4)</u>	<u>32.4</u>	<u>(4.7)</u>
Total Healthy and Safe Communities	\$317.6	(\$2.9)	\$308.5	(\$12.1)

New and Discontinued Programs

(Do not impact net levy)

New Public Health Program (Dental) ¹	\$2.2		\$2.2	\$2.2
New and Replaced Housing Programs (COCHI, OHPI and IAH) ²	\$8.7	\$5.8	\$3.8	\$0.9
Discontinued Ontario Works Program (ASI) ³	\$0.7	\$0.4		(\$1.1)

Anomalies due to rounding

Notes:

- 1 Public Health Services, Dental Funding for Low Income Seniors is a new program
- 2 Housing Services, The Investment in Affordable Housing (IAH) funding is being eliminated and replaced with Ontario Priorities Housing Initiative (OPHI) funding, Canada-Ontario Community Housing Initiative (COCHI) funding is also being introduced as a new program
- 3 Ontario Works, Addiction Services Initiative (ASI) pilot program is being discontinued

Children's Services and Neighborhood Development

The Province reversed its decision to change funding for 2019 and as a result, the shortfall for 2019 of \$3.4 M that was previously reported has now been confirmed as additional funding of about \$1.1 M. This is due to increased funding for the Expansion Plan, Wage Enhancement and Licensed Home Childcare funding for a total increase of \$2.8 M, offset by a shortfall of \$ 1.7 for the Fee Stabilization Support and General Child Care Allocation. The shortfall for 2020 is still expected to be at least \$3.4 M. The Province is updating the funding formula and municipal cost share requirements and full details on these impacts are not known at this time. The Ministry of Education will provide further details on these changes when they release the 2019 Service Agreement and the Ontario Child Care Service Management and Funding Guidelines which the City has not yet received.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Housing Services Division

As previously reported, staff has received confirmation for most of the programs resulting in minimal changes to the budgeted amounts. For existing programs, the 2019 shortfall is less than \$0.1 M which is related to a slight adjustment in the Strong Communities Rent Supplement Program while for 2020 there is an increase in Community Homelessness Prevention Initiative of about \$0.2 M, netting to an increase of just over \$0.1 M.

As previously reported, Housing Services is receiving funding for two new programs that were not included in the 2019 budget, the Canada Ontario Community Housing Initiative and Ontario Priorities Housing Initiative for a total of \$5.8 M in 2019 and \$3.8 M in 2020. As a result, the Investment in Affordable Housing program is being discontinued in 2020 resulting in a shortfall of about \$2.9 M for a net impact of a \$1.0 M increase for 2020.

Long-Term Care

Staff previously reported a funding shortfall of about \$0.4 M annually. Since then, staff has received additional information from the Ministry. The Ministry has provided confirmation of our Case Mix Index (CMI) and Level of Care (LOC) per diem funding to enhance direct care services, as well as, to support other operating costs. The funding levels for these programs are \$0.2 M higher than expected. As of August 1, 2019, the Ministry has also discontinued Structural Compliance funding, High Wage Transition Funding and Pay Equity funding. The shortfall related to these programs is \$0.4 M for 2019 and \$0.9 M for 2020. The total shortfall for Long-Term Care is expected to be about \$0.1 M for 2019 and \$0.7 M for 2020.

Hamilton Paramedic Services

The Province reversed its decision to change funding for 2019. However, prior to this announcement, a funding letter was received indicating a shortfall of \$1.9 M for 2019, significantly higher than the shortfall staff had previously reported of \$700 K. Details revealed that funding would be frozen at 2018 levels and, therefore, the enhancements from 2018 and 2019 will not receive 50% cost sharing. Until additional information is received, staff is assuming an annual short fall of \$1.9 M.

Ontario Works

Report HCS19023 estimated a 2019 impact of \$2.0 M comprised of \$1.5 M due to the Province's expected freeze of 50/50 funding and \$0.5 M due to the discontinuation of the Addiction Services Initiative (ASI) program starting July of 2019.

Staff is still expecting the funding amounts to be frozen at the actual 2018 levels received for Ontario Works 50/50 funding and the Employment Assistance Program resulting in an annual shortfall of \$1.5 M for both 2019 and 2020.

With respect to the ASI program, the estimated funding reduction is \$0.5 M for 2019 and \$1.1 M annually. This is not included in the figure above as corresponding expenditures will also be reduced resulting in no net levy change for the City.

Recreation

There have been no changes since Report HSC19023 and the City is still expecting Provincial funding levels to remain the same at \$0.4 M.

Public Health Services

The Province reversed its decision to change funding for 2019, as a result the previously estimated 2019 shortfall of \$2.4 M has been reduced to a shortfall of \$0.4 M. The \$0.4 M represents one-time funding that will not be received and other minor program funding changes. A larger shortfall of \$4.7 M is expected in 2020 due to a shift in the funding formula to a 70/30 split along with a loss of one-time funding for some programs (previously a mix of 75/25 and 100%).

Bill 108

On June 6, 2019 staff submitted FCS19057 / LS19023, "Bill 108 *More Homes, More Choice Act, 2019*" - Schedule 3 Comment Submission" to Audit, Finance and Administration Committee. The Province tabled Bill 108 and invited comments from stakeholders with a short timeline, requiring comments to be submitted by June 1, 2019.

Key changes to the *Development Charge Act* (DC Act) through Bill 108:

- Removal of "soft services" from the DC Act;
- Expand the mandatory exemption for secondary or ancillary dwelling units in a manner that has not yet been prescribed;
- Delay the payment of DCs for several forms of development;
- Freeze the DC rate at the later of site plan or zoning application; and
- A proposed new *Planning Act*, Section 37 which removes density bonusing provisions and combines the soft services being removed from the DC Act and parkland dedication collected under Section 42 of the *Planning Act* into one new consolidated charge.

The Bill may have budget implications for 2020 and beyond, highlighted below.

Development Charges

Bill 108 proposes changes to the DC Act that may reduce the amount that can be recovered through development charges for soft services. Reducing or eliminating this part of the fees would shift the cost of infrastructure from development to existing taxpayers. A review of pending regulations is required to estimate the impact.

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The changes may impact how the City applies exemptions. Staff currently estimate this change as having a potential \$2.0 M tax levy impact starting in 2020.

Planning Process

Related to the changes that Bill 108 proposes to the DC Act, it is expected that additional administration support, in the form of full-time equivalent positions (FTEs), will be required to support the effective implementation and management of the proposed Bill 108 changes.

Reduced timelines for development approvals would have a staffing impact. Additional information is required before an estimate of staffing and cost can be made. Also, staff expects additional workload impacts due to changes that would permit applications for developer-initiated urban boundary expansions (which previously had not been permitted). It is anticipated that the changes may result in more frequent appeals to the Local Planning Appeal Tribunal (LPAT) which would have staffing implications as well.

The specific details on these costs will be assessed once the regulations are released by the Province and will be presented through a staff report later this year of as part of the 2020 budget process.

APPENDICES AND SCHEDULES ATTACHED

None.

TH/AT/dt