



# INFORMATION REPORT

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> September 18, 2013	
<b>SUBJECT/REPORT NO:</b> Analysis of Provincial Upload Savings (Outstanding Business List Item) (FCS13060) (City Wide)	
<b>SUBMITTED BY:</b> Mike Zegarac Acting General Manager Finance & Corporate Services	<b>PREPARED BY:</b> T. Hewitson (905) 546-2424 ext 4159 M. Di Santo (905) 546-2424 ext 6247
<b>SIGNATURE:</b>	

## Council Direction:

In February 2012, two separate directions were approved by Council with respect to the Provincial upload of services, as follows:

*“That staff be directed to provide an Information Report, to a future General Issues Committee, respecting the actual dollars uploaded by the Province from the City of Hamilton.”*

*AND*

*“That staff be directed to review the 2012 upload notice to the Ontario Municipal Partnership Fund and address the variances with the City’s numbers, and respond as to why the Ontario Works Benefits component is almost half of what the administration component is.”*

**Information:**

Historical Background

In October, 2008, the Province announced the upload of the funding of services that were previously partially funded by municipalities. Commencing in 2008, the Province uploaded the municipal share of the Ontario Drug Benefit (ODB), followed by the Ontario Disability Support Program (ODSP) in 2009-2011. Commencing in 2010, the Ontario Works (OW) basic financial assistance and a portion of the program delivery is being uploaded over an eight year period which is to be completed by 2018. The upload of Court Security, which began in 2012, is also planned to be completed by 2018.

Offsetting this upload is the corresponding reduction in Ontario Municipal Partnership Fund (OMPF) and the Special Provincial Funding. By 2011, the City of Hamilton was no longer in receipt of OMPF or Special Provincial Funding.

Upload Savings – 2013 Variance (City vs. Province)

As per the City of Hamilton's 2013 Upload Notice, the Province has identified an estimated upload benefit of \$78.9M for 2013. In contrast, the City of Hamilton has identified the net upload benefit of only \$11.7M, resulting in a difference of \$67.2M. The table on the next page highlights the factors making up this difference.

The three main reasons for the difference are:

- The Province does not take into account the corresponding OMPF/Special Provincial Funding clawback totalling \$52.2M
- The Province includes avoided costs. This is evident in the fact that the upload savings identified by the Province for ODB (2012 = \$12M; 2013 = \$12.4M) and ODSP Benefits (2012 = \$42M; 2013 = \$44.2M) continue to increase even though the upload and resulting savings to the City is complete.
- The Province includes the increase in total subsidy available for OW Administration, even though the City of Hamilton's costs have not reached this increased level to fully realize these savings.

The Province's estimated 2013 upload benefit of \$78.9M is approximately \$7.2M higher than the \$71.7M upload benefit identified by the Province in 2012. Approximately \$4.6M of this \$7.2M increase is due to the phased-in upload for OW basic financial assistance and Court Security. The remaining \$2.6M increase is due to the fact that the Province updates the estimated savings to reflect higher costs of services that have already been uploaded. This is an avoided cost and, therefore, does not amount to budget savings to the City.

The following table identifies the variance between the upload savings identified by staff and the amount reported by the Province.

	Provincial Upload Notice*			City's Upload Savings* (2013)	Difference
	2012	2013	Change		
\$ (millions)					
ODB (2008)	\$12.0	\$12.4	\$0.4	\$9.4	(\$3.0)
ODSP Admin (2009)	\$5.3	\$5.3	\$ -	\$5.3	\$ -
ODSP Benefits (2010-11)	\$42.0	\$44.2	\$2.2	\$36.9	(\$7.3)
OW Admin (2012)	\$8.0	\$8.0	\$ -	\$3.6	(\$4.4)
OW Benefits (2010-13**)	\$3.8	\$7.6	\$3.8	\$7.4	(\$0.2)
Court Security (2012-13**)	\$0.7	\$1.4	\$0.7	\$1.4	\$ -
<b>TOTAL</b>	<b>\$71.7</b>	<b>\$78.9</b>	<b>\$7.2</b>	<b>\$63.9</b>	<b>(\$15.0)</b>
<b>Less: OMPF Clawback</b>				(\$35.7)	
<b>Less: Special Grant reduction since 2009</b>				(\$16.5)	
<b>NET UPLOAD SAVINGS</b>		<b>\$78.9</b>		<b>\$11.7</b>	<b>(\$67.2)</b>

Notes to Table:

\* Anomalies in totals due to rounding

\*\* Upload phased-in to 2018

As reflected in the table above, the City has only identified upload savings of \$63.9M, which is approximately \$15M less than the amount identified in the Province's 2013 Upload Notice of \$78.9M. This, however, does not take into account the loss of OMPF/Special Provincial Funding of -\$52.2M. Therefore, net of the OMPF/Special Provincial Funding clawback, the net benefit to the City of Hamilton is actually \$11.7M.

The section below provides further details from staff's analysis of the Provincial upload savings.

- ♦ Ontario Drug Benefit (ODB) was uploaded in 2008, resulting in a net budget savings of \$9.4M to the City. The City can only realize savings on amounts actually budgeted. Once uploaded, ODB costs are no longer included in the City's budget, and therefore the savings identified of \$9.4M in 2008 remains

constant. The Province includes the updated cost of providing this benefit in its figure of \$12.4M in 2013 (updated from \$12M in 2012). Basically, according to the Province, if ODB was not uploaded, the City would have had costs of \$12.4M in 2013. This \$3M increase in the cost of ODB from when it was uploaded in 2008 (\$9.4M), is an avoided cost and not a true savings to the City of Hamilton's net levy.

- ◆ Ontario Disability Support Program (ODSP) Administration was uploaded in 2009 resulting in savings to the City of Hamilton of \$5.25M. The ODSP Administration upload savings reflected on the Province's Upload Notice agrees with this amount.
- ◆ Ontario Disability Support Program (ODSP) Benefit was uploaded over a two year period (2010 – 2011). This resulted in savings to the City's budget of \$15.8M in 2010 and \$21.1M in 2011, for a total savings of \$36.9M. Similar to the ODB, once the costs are uploaded and no longer part of the City's levy, the City can no longer realize savings due to increase costs of providing ODSP. The \$7.3M discrepancy between the City and Provincial number is an avoided cost.
- ◆ In 2012, the Province increased the total allocation cap for 50/50 funding for OW Administration by approximately \$8M to now reflect costs based on caseload size and a higher cost per case allocation. By increasing the cap, the City was able to receive 50/50 funding for costs that were previously 100% funded by the levy, as well as annual operating increases, including Phase 2/3 Ontario Works staffing costs. As such, the City has realized an increase in subsidy of approximately \$3.6M to date. The Province identifies this \$8M increase in the total available subsidy as an upload savings. However, this full amount cannot be identified as savings, as costs in the City of Hamilton have not reached the level to fully utilize this funding increase.
- ◆ The Ontario Works (OW) basic financial assistance upload is being phased-in over nine years. The \$7.4M savings identified by the City is as a result of the City's share of OW benefit costs gradually decreasing from 20% in 2009 (under the 80/20 cost sharing formula) to:
  - ◆ 19.4% in 2010 for savings of \$0.9M
  - ◆ 18.8% in 2011 for savings of \$0.8M
  - ◆ 17.2% in 2012 for savings of \$2.2M
  - ◆ 14.2% in 2013 for savings of \$3.4M

By 2018, OW basic financial assistance will be funded 100% by the Province. The small discrepancy between the City reflected savings of \$7.4M and the Province's identified savings of \$7.6M could simply be as a result of the City identifying savings based on budget, versus the Province identifying savings based on actuals.

- ♦ The upload of Court Security is being phased-in from 2012 to 2018. The upload savings for the first two years of the phase-in (2012 and 2013) is \$1.4M. This is consistent with the amount identified in the Province's 2013 Upload Notice.

It should be noted that OW Administration and OW basic financial assistance are not correlated (as questioned "*why the Ontario Works Benefits component is almost half of what the administration component is*"). They are two different funding streams. OW Administration has a 50/50 cost sharing funding formula, now revised based on caseloads. The OW basic financial assistance funding formula, originally 80% Province share and 20% municipal share in 2009, will be changed to 100% Provincially funded by 2018. Although the City of Hamilton will no longer be funding OW basic financial assistance by 2018, the City will continue to be responsible for OW Administration under the 50/50 cost sharing funding formula.

#### Conclusion

In conclusion, due to the clawback of the OMPF/Special Provincial Funding, the City of Hamilton has just recently started to realize a benefit of the Provincial upload. This benefit, however, is far less than the amount reported by the Province. In order to get a complete picture of the upload savings, this OMPF and Special Provincial Funding clawback needs to be taken into account. Therefore, net of the OMPF/Special Provincial Funding, the City of Hamilton has benefited from the upload by approximately \$11.7M which is significantly less than the net benefit of \$78.9M reported by the Province.