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STAFF REPORT: Finance and IT Services



REPORT TO: Committee of the Whole
MEETING DATE: December 8, 2014
REPORT NO.: FIT.14.65
SUBJECT: County of Grey – Sharing of Provincial Uploading of Social Services Costs
PREPARED BY: Ruth Prince, Manager of Revenue

A. Recommendations

THAT Council receive Staff Report FIT.14.65, entitled “County of Grey – Sharing of Provincial Uploading of Social Services Costs” for information purposes;

AND THAT the Blue Mountains representatives at County Council endorse the recommendation in the County of Grey Staff Report FR-CS-35-14 dated November 19, 2014, as attached to this report.

B. Background

On November 19, 2014 at the County of Grey Corporate Services Committee Meeting, Director of Finance Kevin Wepler presented Report FR-CS-35-14, entitled “Sharing of Provincial Uploading of Social Services Costs” (Attachment 1). The motion contained in the report was endorsed by County Council on November 25, 2014 and recommended that the below actions be recommended for inclusion in the 2015 County budget for the new Council’s consideration.

The County of Grey’s motion is as follows:

1. Include in the County’s 2015 budget, a reduction of \$2,323,236 in taxation with the removal of the transfer to reserve for future capital. This will provide an estimated 4.47% levy reduction that would assist local municipalities in offsetting future losses of Ontario Municipal Partnership Funding.
2. Utilize any 2015-2018 budget savings realized as a result of the upload of social services costs to reduce the County’s budgeted levy requirements.
3. Distribute in 2015, \$2,825,743 or 50% of the \$5,651,486 in provincial social services uploaded savings that has been placed in the County’s Future Infrastructure Reserve to each local municipality based on the assessment values that the County utilizes to calculate taxation. This will place funds back into the hands of local municipalities to provide funding for projects that may have not been undertaken, as projects may have been delayed or removed from local budget plans to accommodate the loss in Ontario Municipal Partnership Funding. The recommendation of allocating 50% of these reserve funds would also then provide future County budgets with infrastructure funding to aid its infrastructure deficit and to assist in transitioning budgetary capital increases that are required as per the County’s Asset Management Plan.

The County of Grey endorsement only approves this recommendation to be included in the 2015 budget for the new County Council's consideration. Therefore, Staff have not included these reductions in the Town's 2015 Proposed Budget but will be discussing this during the Town's budget process.

C. The Blue Mountains' Strategic Plan

Ensuring long-term financial sustainability.

D. Environmental Impacts

N/A

E. Financial Impact

Page seven of the County of Grey Report FR-CS-35-14 indicates that if the recommendation is approved as part of the 2015 County of Grey budget, The Blue Mountains will receive a onetime payment \$728,621 as its allocation of the County of Grey's Infrastructure Reserve Fund as well as a \$688,321 estimated reduction in the 2015 County of Grey budget.

Options in regards to the proposed County of Grey recommendations will be discussed during the Town's budget deliberations.

F. In Consultation With

Troy Speck, Chief Administrative Officer
Sam Dinsmore, Financial Analyst
Debbie Brown, Budget Analyst

G. Attached

- 1 County of Grey Staff Report FR-CS-35-14 "Sharing of Provincial Uploading of Social Services Costs"

Respectfully submitted,

Ruth Prince, Manager of Revenue

For more information, please contact:

Ruth Prince
rprince@thebluemountains.ca
519-599-3131 ext 228

Report FR-CS-35-14

To: Chair Pringle and Members of the Corporate Services Committee
From: Kevin Wepler, Director of Finance
Meeting Date: November 19, 2014
Subject: **Sharing of Provincial Uploading of Social Services Costs**
Status: Recommendation adopted as presented per Resolution CS89-14
November 19, 2014;

Recommendation(s)

WHEREAS under the Provincial-Municipal Fiscal and Service Delivery Review (PMFSDR), the Provincial Government, the Association of Municipalities of Ontario (AMO) and the City of Toronto worked together to examine and update provincial-municipal arrangements;

AND WHEREAS the Provincial-Municipal Fiscal and Service Delivery Review provided a new fiscal and service delivery partnership between the Province and Ontario municipalities;

AND WHEREAS key fiscal outcomes from the Provincial-Municipal Fiscal and Service Delivery Review provided for the upload of Social Services costs and therefore a reduction of the County's municipal costs;

AND WHEREAS County Council endorsed a recommendation on January 3, 2012 that beginning in 2012 these uploaded savings be transferred to a corporate capital infrastructure reserve to address the County's infrastructure deficit and to assist in reducing the County's future budgetary increases;

AND WHEREAS as part of the Provincial-Municipal Fiscal Service Delivery the Ontario Municipal Partnership Funding has been responsive to the reduction in municipal costs as the uploads are phased-in;

AND WHEREAS the reduction in Ontario Municipal Partnership Funding is placing a significant tax burden on local municipal budgets,

NOW THEREFORE IT BE RESOLVED THAT Report FR-CS-35-14 regarding the Sharing of the Provincial Uploading of Social Services Costs be received:

AND THAT in order to reduce future tax burden on local municipalities as the phase-down of the Ontario Municipal Partnership Funding continues, that the following actions be recommended for inclusion in the 2015 budget for the incoming Council's consideration:

- 1. Include in the County's 2015 budget, a reduction of \$2,323,236 in taxation with the removal of the transfer to reserve for future capital. This will provide an estimated 4.47% levy reduction that would assist local municipalities in offsetting future losses of Ontario Municipal Partnership Funding.**
- 2. Utilize any 2015-2018 budget savings realized as a result of the upload of social services costs to reduce the County's budgeted levy requirements.**
- 3. Distribute in 2015, \$2,825,743 or 50% of the \$5,651,486 in provincial social services uploaded savings that has been placed in the County's Future Infrastructure Reserve to each local municipality based on the assessment values that the County utilizes to calculate taxation. This will place funds back into the hands of local municipalities to provide funding for projects that may have not been undertaken, as projects may have been delayed or removed from local budget plans to accommodate the loss in Ontario Municipal Partnership Funding. The recommendation of allocating 50% of these reserve funds would also then provide future County budgets with infrastructure funding to aid its infrastructure deficit and to assist in transitioning budgetary capital increases that are required as per the County's Asset Management Plan.**

Background

In December 2006, the provincial government, the Association of Municipalities of Ontario (AMO) and the City of Toronto began working together to review, examine and update provincial-municipal arrangements.

There were key fiscal outcomes from this Provincial-Municipal Fiscal and Service Delivery Review (PMFSDR) that resulted in the following:

- Ontario Works benefit costs (including employment assistance) would begin to be uploaded in 2010 and be fully uploaded by 2018. This was in addition to the already announced upload of Ontario Drug Benefits (ODB) and the Ontario Disability Support Program (ODSP).
- The cost of court security, including prisoner transfer, would also be uploaded to the Province beginning in 2012 to a maximum of \$125 million a year by 2018.

- The Ontario Municipal Partnership Fund (OMPF) social program grant would decline in response to the upload of ODSP/ODB and Ontario Works.
- OMPF base/equalization funding of approximately \$500M/year would be maintained.
- The Province would extend the OMPF “stable funding guarantee” for 2009.

It was expected this Provincial uploading announcement would provide a positive impact to the County’s 2009 budget.

However, as noted in the OMPF details, while the County was to have uploaded \$835,000 in Provincial ODSP Administration costs in the 2009 budget year, it was not generally known that the County would also lose \$2,009,000 of its OMPF grant in 2009. Along with this loss of funding, the economy was entering into a recession which saw the County’s 2009 OW and ODSP caseload costs for benefits paid to recipients increase with the County continuing to share in these benefit costs.

Given the property tax increase that would be required for 2009 with the loss in OMPF funding and knowing that the Province would be uploading ODSP and OW support costs in 2010-2018, County Council approved a Stable Funding Plan that would mitigate the amount of County tax increase needed. This Plan provided a funding mechanism to decrease the amount of social services costs to be taxed in 2009 as compared in 2008.

The Stable Funding Plan approved by County Council and implemented was as follows:

1. For 2009, 2010 and 2011 use the existing OW Caseload Reserve Fund to fund as much of the 2009 increased cost to the County of a rising OW and ODSP caseload. For 2009 a Transfer from Reserve in the amount of \$519,700 was budgeted for this purpose.
2. The loss of \$2,009,700 in OMPF funding would not be borne by the taxation year 2009 alone. A plan was developed that would spread the OMPF loss in funding, a total of \$2,800,000 over the same period the County was to realize its uploaded savings. This would mean deferring a portion of this loss in funding to future budget years and this was done by borrowing from the County’s overall reserves. The borrowing would be repaid when savings were realized with the uploading of social service costs.

Grey County’s Stable Funding Plan had been developed deliberately, to keep the County’s tax rate low, with the faith that the Province would be able to keep its uploading promises. By utilizing this Stable Funding Plan, the County was able to repay the borrowing it had implemented from the County’s reserves by utilizing the uploaded savings in social services costs to repay \$1,977,019 in the 2011 budget and the remaining \$625,788 in the 2012 budget.

With the final borrowing repayment being realized in 2012, and as part of the 2012, 2013 and 2014 budgets, Council approved the Director of Finance's recommendation that these uploaded social service savings being realized be transferred to a corporate capital infrastructure reserve on the basis that the County's asset management plan had not been completed and the full extent of the County's infrastructure deficit was unknown.

This has resulted in the 2014 budget containing a transfer to reserve in the amount of \$2,323,236, with a total from 2012-2014 of \$5,651,486 being transferred to reserve. The transferring of uploaded savings to reserve was recommended by the Director of Finance in an attempt to reduce the County's tax rate increases that would be required in the future and to address the County's growing shortfall in infrastructure spending. The intent was that once the County had completed an asset management plan, this plan would then provide documentation on the County's infrastructure deficit, identify priorities, and facilitate recommendations on the use of this funding.

The County also recognized the need to be fiscally responsible and over the past eight years (2007-2014) has provided, on average, a County tax rate increase of 1.0698%. In addition, the County since 2009 has provided approximately \$2.5 million in caseload reserve funding to aid the County budget to offset the increases in Ontario Works caseload costs which have occurred, with another \$200,000 in annual funding proposed to be transferred from reserve over the 2015, 2016 & 2017 budget years.

The Asset Management Plan for the County of Grey has now been completed and meets all requirements as outlined within the provincial *Building Together Guide for Municipal Asset Management Plans*. This plan was endorsed by County Council on June 3, 2014. This plan assessed the County's state of its infrastructure and the County's financial capacity to fund the asset's average annual requirement for sustainability. A report card was then generated where the County received a cumulative GPA of 'D+', with an annual infrastructure deficit of \$14 million. The County received an 'F' on the Funding vs. Need dimension for both its road network and bridges and culverts; for its social housing assets, the County received a 'B', funding more than 90% of its annual needs.

According to the plan, the average annual investment requirement for paved roads, bridges and culverts, and social housing is \$23,353,000. Annual revenue currently allocated to these assets for capital purposes is \$9,441,500 leaving an annual deficit of \$13,911,500. To put it another way, these infrastructure categories are currently funded at 40% of their long-term requirements. Without consideration of any other sources of revenue, full funding would require a combined increase of 27.3% over time. This would equate to increasing tax revenues by 1.8% each year for the next 15 years solely for the purpose of phasing in the full funding to the asset categories covered in the plan.

While the transferring of uploaded social service savings being transferred to a corporate capital infrastructure reserve would provide needed funding to address the County's infrastructure deficit, it would take a number of years for local municipalities to realize the benefit of these uploaded social service costs with the County utilizing these funds to reduce future capital funding requirements.

Provincial-Municipal Fiscal and Service Delivery Review and OMPF Funding

The OMPF was included as part of the Provincial-Municipal Fiscal and Service Delivery Review (PMFSDR) and as a result the recommendations implemented from the review would affect the OMPF program in future years.

As part of the PMFSDR review, partners agreed to the key principle that the OMPF should remain responsive to changes in municipal circumstances, such as the upload of ODB, ODSP and OW benefits. Therefore, consistent with the normal operation of the OMPF, the social programs grants would be adjusted to reflect the reduction in municipal costs for these programs as they are phased-in.

In early 2012, the Province announced the review of the OMPF and the phase-down of the program to \$500 million by 2016. The OMPF phase-down was part of the Province's agreement with municipalities in 2008 to upload social assistance benefit programs as well as court security costs off the property tax base.

Consistent with this commitment, the Province announced \$550 million in unconditional funding through the redesigned 2014 OMPF. In addition to the four core grants announced for 2014, the \$550 million in OMPF would also include a significant amount of transition support. This funding is intended to assist municipalities as they transition to the redesigned program.

Through this Transitional Assistance the province will ensure that in 2014 municipalities receive a guaranteed level of support based on their 2013 OMPF allocation.

The County had been asked by some local municipalities to account for the savings that had been provided by the upload of social services cost. The Director of Finance did provide a reconciliation of these savings. However, the Director determined there was a need to revisit the impact that the transferring of uploaded savings to reserves was having on local municipalities.

It was evident following this review that this is now beginning to cause a significant tax burden on local municipalities as their OMPF allocations are being adjusted to reflect the reduction in municipal costs for these programs. To illustrate this impact, the following table details the announced OMPF funding allocations for 2014 in comparison to the 2013 allocation notices:

Table 1 – OMPF – 2014 Allocation Notice

Municipality	Sum of 2014 OMPF Grant Components	2014 Transitional Assistance	2014 Combined Allocation Notice	2014 Provincial Uploads	2014 Combined Benefit of OMPF and Provincial Uploads	Change 2014 to 2013
Chatsworth	\$721,200	\$275,600	\$996,800	\$200	\$997,000	(\$128,100)
Georgian Bluffs	\$797,300	\$0	\$797,300	\$400	\$797,700	(\$14,500)
Grey Highlands	\$976,300	\$275,000	\$1,251,300	\$600	\$1,251,900	(\$141,900)
Hanover	\$1,227,900	\$806,400	\$2,034,300	\$13,600	\$2,047,900	(\$47,600)
Meaford	\$968,600	\$107,000	\$1,075,600	\$600	\$1,076,200	(\$140,900)
Owen Sound	\$62,600	\$899,000	\$961,600	\$183,900	\$1,145,500	(\$108,300)
Southgate	\$820,700	\$308,200	\$1,128,900	\$300	\$1,129,200	(\$136,500)
Blue Mountains	\$1,109,000	\$178,800	\$1,287,800	\$0	\$1,287,800	(\$227,200)
West Grey	\$1,616,800	\$619,800	\$2,236,600	\$0	\$2,236,600	(\$227,900)
Total	\$8,300,400	\$3,469,800	\$11,770,200	\$199,600	\$11,969,800	(\$1,172,900)

As illustrated in the table above, local municipalities are incurring a phase-down in OMPF funding and will continue to see reduced funding as Transitional Assistance is reduced in the future and as the upload of social costs continue through to 2018.

In order to reduce the tax burden on the local municipalities it is being recommended that the following actions be considered:

1. Include in the County's 2015 budget, a reduction of \$2,323,236 in taxation with the removal of the transfer to reserve for future capital. This will provide an estimated 4.47% levy reduction that would assist local municipalities by way of a lower County tax rate to assist local municipalities in offsetting losses of OMPF funding.
2. Utilize any 2015-2018 budget savings realized as a result of the upload of social services costs to reduce the County's budgeted levy requirements.
3. Distribute in 2015, \$2,825,743 or 50% of the \$5,651,486 in provincial social services uploaded savings that have been placed in the County's Future Infrastructure Reserve to each local municipality based on the assessment values that the County used to calculate taxation. This will put funds back into the hands of the local municipalities to provide funding for projects that may have not been undertaken, as projects may have been removed from local budget plans to accommodate the loss in OMPF funding. The recommendation of allocating 50% of these reserve funds would also then provide future County budgets with infrastructure funding to aid its infrastructure deficit and to assist in transitioning budgetary capital increases that are required as per the County's Asset Management Plan.

To illustrate the estimated impact that these actions would have, if approved in the 2015 budget, the following 2 tables have been provided.

Table 2 – Proposed 2015 Allocation of County Infrastructure Reserve Fund

Municipality	2014 Budgeted Levy Contribution Percentages	2015 County Reserve Distribution to Local Municipalities
Chatsworth	5.1692%	\$146,068
Georgian Bluffs	11.0353%	\$311,829
Grey Highlands	11.4268%	\$322,892
Hanover	5.2017%	\$146,987
Meaford	11.6304%	\$328,645
Owen Sound	15.3129%	\$432,703
Southgate	4.9934%	\$141,101
Blue Mountains	25.7851%	\$728,621
West Grey	9.4452%	\$266,897
Total	100.0000%	\$2,825,743

Table 3 – Estimated 2015-2018 County Budget Reductions as a Result of Provincial Uploading of Social Services Costs

Municipality	2015 Estimated County Budget Reduction*	2016 Estimated County Budget Reduction*	2017 Estimated County Budget Reduction*	2018 Estimated County Budget Reduction*	Total Estimated County Budget Reductions 2015-2018
Chatsworth	(\$137,989)	(\$17,897)	(\$17,897)	(\$17,897)	(\$191,680)
Georgian Bluffs	(\$294,582)	(\$38,206)	(\$38,206)	(\$38,206)	(\$409,200)
Grey Highlands	(\$305,033)	(\$39,562)	(\$39,562)	(\$39,562)	(\$423,719)
Hanover	(\$138,857)	(\$18,009)	(\$18,009)	(\$18,009)	(\$192,884)
Meaford	(\$310,468)	(\$40,266)	\$40,266	\$40,266	(\$431,266)
Owen Sound	(\$408,771)	(\$53,016)	(\$53,016)	(\$53,016)	(\$567,819)
Southgate	(\$133,297)	(\$17,288)	(\$17,288)	(\$17,288)	(\$185,161)
Blue Mountains	(\$688,321)	(\$89,272)	(\$89,272)	(\$89,272)	(\$956,137)
West Grey	(\$252,135)	(\$32,701)	(\$32,701)	(\$32,701)	(\$350,238)
Total	(\$2,669,453)	(\$346,217)	(\$346,217)	(\$346,217)	(\$3,708,104)

*Estimate based on 2014 budgeted Social Services savings as a result of Provincial Uploading

Financial / Staffing / Legal / Information Technology Considerations

The actions proposed in Report FR-CS-35-14, if approved in the 2015 budget, will provide an estimated 2015 budget levy decrease of 5.13% or a reduction of \$2,669,453 in funding requirements.

The 2015 budget would also distribute, on a one-time basis, \$2,825,743 in reserve funding to local municipalities to assist them with local priorities. These recommendations, if approved, will provide local municipalities with financial assistance as the phase-down in OMPF funding continues. The County will also need in the future to address its infrastructure deficit and this will require additional funding, either from the

upper levels of government and/or by increasing annual budgetary requests from taxation.

The County has also undertaken a Transportation Master Plan, which is a strategic plan to direct policies and infrastructure initiatives in Grey County. This draft plan contains a number of recommendations and should Council approve all or part of the recommendations contained in this draft plan, there will be a need for additional funding.

As well, the County has been supporting the initiative of the Western Ontario Wardens' Caucus to provide ultra-high speed fibre optic broadband (SWIFT - SouthWestern Integrated Fibre Technology) for everyone in Southwestern Ontario in order to help position rural areas to prosper socially and economically. This project is designed to provide fibre optic coverage to all 16 counties and 8 separated municipalities currently participating in the study. It has been estimated that the timeline to complete the initial construction and connect communities will be 2019/2020. The County of Grey will be required to provide funding to initiate this project and as well may need to provide additional funding in order to accelerate the expansion of this build and to ensure everyone in Grey County has access to ultra-high speed fibre optic broadband.

Link to Strategic Goals / Priorities

Communication is a key value to the County's Strategic Plan. This report provides information to Council in regards to the sharing of provincial uploading of social services costs.

This report also provides financial support that will enhance the sustainability of rural and small urban communities.

Respectfully submitted by,

Kevin Weppler
Director of Finance