

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON MAY 28, 2019</b>
<b>FROM:</b>	<b>ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>PROVINCIAL BUDGET &amp; RECENT PROPOSED LEGISLATIVE CHANGES WITH FINANCIAL IMPACTS</b>

<b>RECOMMENDATIONS</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer:

- a. This report **BE RECEIVED** for information; it being noted that Civic Administration will continue to provide updates on financial impacts resulting from the provincial budget and other legislative changes through the semi-annual budget monitoring process and will evaluate, develop mitigation plans to control costs and incorporate impacts to the City of London's budget as appropriate during development of the 2020-2023 Multi-Year Budget;
- b. Civic Administration **BE DIRECTED** to continue advocacy efforts to inform the provincial government of the potential impacts of the proposed legislative changes on the City and to work with the Province of Ontario to identify innovative solutions to shared challenges including providing adequate lead time to allow municipalities to plan for changes prior to implementation.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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Strategic Priorities and Policy Committee, meeting on May 6, 2019, agenda item 4.1 – 2020-2023 Multi-Year Budget  
<https://pub-london.escrimemeetings.com/FileStream.ashx?DocumentId=61790>

<b>LINK TO THE 2019-2023 STRATEGIC PLAN</b>
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Council's 2019-2023 Strategic Plan for the City of London identifies 'Leading in Public Service' as a strategic area of focus. The City of London's Multi-Year Budget development and monitoring is a strategy to maintain London's finances in a transparent and well-planned manner to balance equity and affordability over the long term.

<b>BACKGROUND</b>
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On April 11, 2019, the new Government of Ontario tabled its first budget, titled *Protecting What Matters Most*. The budget reflects a number of priorities, programs and direction, with a specific focus on reducing the provincial deficit. The budget addressed a range of issues, with multiple items having impacts to municipal governments and their respective budgets. The City of London has reviewed a number of issues for their potential effects on service delivery. Subsequent to the budget, other proposed legislative changes were announced which may also have an impact on municipal finances.

Civic Administration is continuing to evaluate the changes and corresponding effects on the City of London. Some of these changes will impact the City's budget in 2019. These changes will also impact development of the 2020-2023 Multi-Year Budget. The information in this report is based on what is known as of May 16, 2019.

## Preliminary Estimates of Impacts

Each Service Area has evaluated impacts based on the information currently available. Generally, the changes are expected to increase pressures on the City of London's budget and corresponding tax levy; however, there are some changes that may relieve pressures on the City's tax levy. The total net effect of these changes is not known at this time.

Please refer to [Appendix A](#) for a summary of recent announcements with anticipated tax levy implications for the City of London. Please refer to [Appendix B](#) for a summary of other recent announcements with anticipated service impacts.

Each change will be unique and have varying impacts on factors such as, but not limited to, tax levy pressure or relief, ability to mitigate or leverage through different strategies, impact on service delivery and community impact. Details relating to provincial implementation of various changes are unclear at the present time.

The current estimated 2019 impact is a net budgetary pressure of \$4.0 million based on information currently known.

## Next Steps

Civic Administration will continue to perform analysis on budgetary and service impacts resulting from the provincial budget and other legislative changes. Known or estimated impacts will be appropriately captured and categorized through budget monitoring and the development of the 2020-2023 Multi-Year Budget. Where possible, mitigation strategies will be implemented to minimize the impact on service delivery and the City's budget. It will be important, as Council reviews the 2020-2023 Multi-Year Budget, to be mindful of one of the Corporation's core financial principles: Council should avoid taking on services/programs where there is pressure to "fill in" for services/programs that have been reduced or discontinued by other levels of government.

Civic Administration is also requesting direction to continue advocacy efforts with the aim of informing the provincial government of the potential impacts of the proposed changes, as well as working proactively to identify solutions to areas of shared challenges.

<b>SUBMITTED BY:</b>
<b>KYLE MURRAY, CPA, CA DIRECTOR OF FINANCIAL PLANNING &amp; BUSINESS SUPPORT</b>
<b>RECOMMENDED BY:</b>
<b>ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>

Cc:

Bryan Baar - Senior Financial Business Administrator  
Jason Davies - Manager, Financial Planning & Policy  
Alan Dunbar - Manager, Financial Planning & Policy  
Martin Galczynski - Manager, Financial Planning & Policy  
John Millson - Senior Financial Business Administrator  
Adam Thompson - Manager, Government and External Relations  
Rosanna Wilcox – Director, Community and Economic Innovation  
Strategic Management Team

**Appendix A**  
**Provincial Budget & Other Proposed Legislative Changes – Announcements with non-discretionary anticipated tax levy pressures**  
**(rounded to the nearest \$100,000)**

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications to the City of London	Estimated Municipal Impact 2019	Estimated Annual Municipal Impact 2020-2023
Children's Services	Child Care Municipal Cost Sharing Changes	The City will need to contribute additional funds to Child Care in order to receive funding from the Province. The operating portion of Expansion Funding is now required to be 80% (provincial) / 20% (municipal) cost-shared (previously there was no cost sharing requirement). All administration costs are required to be cost-shared at 50% / 50% (some funding streams such as Wage Enhancement Grant and Home Child Care Enhancement Grant funding previously had no cost sharing requirement). These changes are effective April 1, 2019. Additionally, the threshold for allowable administration costs has been reduced from 10% of the total funding allocation to 5%. It is further anticipated that this cost-sharing will increase in 2020 as the effect of the full year of additional municipal costs are experienced.	\$2,100,000	\$2,900,000
Middlesex-London Health Unit	Public Health Provincial Funding Changes	The provincial funding for many public health programs will be moving to 70% of provincially approved expenditures for 2019-2020. Previously some programs were 100% provincially funded, while others were cost-shared with municipal partners. It is further anticipated that the provincial funding will be further reduced to 60% starting in 2021-2022 for our region's health unit. The estimated impacts reflect the current structure and budget of Middlesex-London Health Unit and exclude any impacts as a result of the potential amalgamations of health units (see next row).	\$400,000	\$1,200,000 (2020) \$2,300,000 (starting in 2021)

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications to the City of London	Estimated Municipal Impact 2019	Estimated Annual Municipal Impact 2020-2023
Middlesex-London Health Unit	Creation of 10 Regional Public Health Entities	<p>The Provincial government has signaled the move towards the creation of 10 Regional Public Health entities by realigning public health boards across the province. The aim of this realignment is to find savings and efficiencies by establishing larger entities. This transition is expected to occur in 2020-2021. It is expected that the new regional (merged) entity will combine five public health agencies stretching from Windsor to Woodstock (Windsor-Essex County Health Unit, Chatham-Kent, Lambton County, Southwestern (previously Elgin-St. Thomas and Oxford), and Middlesex-London health units.</p>	None	Awaiting further information/details
Police Services	Community Safety and Policing Grant	<p>Various Policing related grants will be combined into the new Community Safety and Policing Grant effective immediately. The total amount of grants will remain the same; however, the Ontario Provincial Police will now be eligible to apply for the grant, it being anticipated this will reduce the amount available to all other municipalities. The London Police Service currently receives approximately \$2.5 million per year from various grant programs, including the Community Policing Partnerships Program, Safer Communities One Thousand Officer Program and the Provincial Anti-Violence Intervention Strategy Grant. The amount received is expected to be reduced by approximately 25% going forward.</p> <p>It should also be noted that London Police Service may be able to apply for additional grant funding through two new funding streams totaling \$9.0 million province-wide intended to address guns and gang violence, sexual violence and harassment, and human trafficking.</p>	\$600,000	\$600,000

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications to the City of London	Estimated Municipal Impact 2019	Estimated Annual Municipal Impact 2020-2023
Social Services	Provincial Funding Cap for the 2019 Ontario Works Cost of Administration	The provincial government has introduced a limit on the amount of administration subsidy supporting the Ontario Works program. The subsidy cap will equal each municipality's 2018 actual subsidy claim. The estimated future impact will be clearer when the 2019 funding contract is confirmed by the Ministry. Civic Administration will be closely monitoring 2019 spending in order to mitigate this impact and achieve a balanced year end budget.	None	Awaiting further information/details
Social Services	Integration of Employment Services between Ontario Works, ODSP, and Employment Ontario	<p>The Province has announced its intention to integrate Employment Services between Ontario Works, Ontario Disability Support Program (ODSP), and Employment Ontario. This includes a phased in new model managed by Service System Managers selected by a competitive bid process open to any public, not-for-profit, private sector organization, CMSM (consolidated municipal service manager; i.e. London) or district social services board service manager.</p> <p>The impact to London will depend on how the successful proponent for this new employment service model is funded, and the service delivery requirements in order to serve what may be the entire region. The gross cost of the City's annual employment contracts is currently \$4.5 million.</p>	Awaiting further information/details	Awaiting further information/details
Conservation Authorities	Hazard Program Funding Cut	Conservation authorities will be seeing an annual reduction in transfer payments related to the Hazard Program. This program funding is used for forecasting flooding and issuing warnings, floodplain mapping, monitoring stream flow, rainfall and snow packs. The estimated impact reflects London's share of the total funding reduction for the Upper Thames River Conservation Authority, Lower Thames Valley Conservation Authority and Kettle Creek Conservation Authority.	\$100,000	\$100,000

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications to the City of London	Estimated Municipal Impact 2019	Estimated Annual Municipal Impact 2020-2023
Land Ambulance (EMS)	Provincial Funding Freeze – Land Ambulance Grants	The Province has historically provided discretionary grant funding equivalent to 50% of the cost of providing land ambulance services. It has been announced that these grants will be frozen at 2018 levels. Due to the yearly funding lag, it should be noted these 2018 funding levels are actually based on Middlesex-London Paramedic Service's 2017 approved budget.	\$600,000	Awaiting further information/details
Land Ambulance (EMS)	Regionalization of Ambulance Services	The Province has announced its intention to merge all local ambulance services into 10 regional providers. The objective of this amalgamation is to achieve potential efficiencies, however this is also anticipated to impact cost sharing of municipalities in the designated regions.	Awaiting further information/details	Awaiting further information/details
Development and Compliance Services	Bill 108 – More Homes, More Choice Act – Adjustments to Planning Act	<p>Bill 108 proposes adjustments to the Planning Act application decision timelines: Official Plan Amendments to be reduced from 210 days to 120 days; Zoning By-law Amendments to be reduced from 150 days to 90 days; and Subdivision Draft Plan Approval to be reduced from 180 days to 120 days.</p> <p>To meet the new targets, while maintaining regulatory review and community engagement, there will be a need for additional staff to process Official Plan, Zoning and Subdivision applications.</p>	\$200,000	\$700,000

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications to the City of London	Estimated Municipal Impact 2019	Estimated Annual Municipal Impact 2020-2023
Various  (Parks and Recreation, Neighbourhood, Children and Fire Services, London Public Library, Environmental and Engineering Services, City Planning, Development and Compliance Services)	Bill 108 – More Homes, More Choice Act – Adjustments to Development Charges Act	<p>On May 2, 2019, the Provincial Government unveiled the More Homes, More Choice: Ontario’s Housing Supply Action Plan with proposed measures related to housing supply and housing affordability. Also introduced on May 2, 2019, was Bill 108, More Homes, More Choice Act. Based on a preliminary review of the Bill, the following is a summary of the key changes to the Development Charges Act and growth infrastructure cost recovery that may have a financial impact to the municipality:</p> <ul style="list-style-type: none"> <li>• Amendments to the Development Charges Act (DCA) that would define only those services for which a development charges by-law may impose development charges. This is a shift from the current DCA, which allows any service to be recoverable from development charges except for those services listed as ineligible;</li> <li>• The full capital costs of waste diversion services may now be charged in the calculation of development charges;</li> <li>• Proposed changes related to when development charges are payable. Payments can now be made as six annual instalments and municipalities may charge interest;</li> <li>• A proposed new community benefits by-law and dedicated funding source that would replace the existing density bonusing provisions in the Planning Act, development charges for discounted services (i.e. a number of soft services), and parkland dedication; and</li> <li>• Development charge rates to be frozen at an earlier point in time in the development process.</li> </ul> <p>This Bill has currently passed first reading and is entering the consultation phase of the legislative process.</p>	Awaiting further information/details	Awaiting further information/details
		<b>Total:</b>	<b>\$4,000,000</b>	<b>\$6,600,000</b>

**Appendix B**

**Provincial Budget & Other Proposed Legislative Changes – Announcements with service implications but no tax levy pressures at this time  
(rounded to the nearest \$100,000)**

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications to the City of London	Estimated Impacts 2019	Estimated Annual Impacts 2020-2023
Children's Services	Reduction in Provincial Funding for Child Care for 2019	Provincial funding for the Child Care has been reduced from prior years' levels. The primary reductions are the elimination of the Fee Stabilization funding (\$1.3M), reduction of Expansion funding (\$0.3M) as well as a reduction in the base child care funding envelope (\$1.05M), partially offset by an increase in Wage Enhancement Grant funding (\$0.4M). The funding for 2020 and beyond is unknown but will be further reduced by the elimination of the remaining Fee Stabilization funding of (\$0.4M) that ended in March 2019.	\$2,300,000	\$2,700,000
Children's Services	Childcare Access and Relief from Expenses (CARE) Tax Credit	The Provincial Government is introducing the CARE tax credit which would provide financial assistance (up to a maximum threshold amount) for families accessing a range of Child Care options. Details regarding the implementation of the CARE tax credit and the impact for families currently accessing other funding sources (i.e. Fee Subsidy) have not yet been released.	Awaiting further information/details	Awaiting further information/details
Children's Services	Investment in Creation of New Child Care Spaces	The Provincial Government has announced and committed up to \$1 billion over the next five years to create up to 30,000 child care spaces in schools.	Awaiting further information/details	Awaiting further information/details
Social Services	Addictions Services Initiative (ASI) Funding Elimination	The Province announced that the 100% funded ASI program will end effective July 31, 2019. Annualized, this amounts to \$882,000 for the London CMSM and includes 100% funding for 4.85 FTE's, a contract with Addictions Services Thames Valley for services for clients with addictions, as well as employment related expenses to support OW participants with addictions in their employment activities. The long term impact depends on London's decision to continue with the program.	\$400,000	\$900,000

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications to the City of London	Estimated Impacts 2019	Estimated Annual Impacts 2020-2023
Social Services	Cancellation of the Transition Child Benefit (TCB)	<p>This is a benefit issued to families who are waiting for, or not eligible for, the Child Tax Benefit (and associated benefits) and will be cancelled effective November 2019. It should be noted that Social Assistance rates (both Ontario Works and ODSP) do not include Basic Needs Allowance for children under 18 years of age as both the Child Tax Benefit and TCB were intended to meet these needs.</p> <p>Although there is no financial impact to the City's net budget this will reduce direct transfer payments by approximately \$2 million annually to Social Assistance recipients in the City of London.</p>	\$400,000	\$2,000,000
Housing Services	The Canada-Ontario Community Housing Initiative (COCHI)	<p>The Canada-Ontario Community Housing Initiative (COCHI) will provide funding to repair, regenerate, and expand community housing and protect affordability for tenants. London will be receiving \$4.1 million over the next three fiscal years, expiring in 2021-22. COCHI is the successor to the Social Infrastructure Fund (SIF).</p> <p>Over the last three fiscal years, SIF has provide \$12.9M of program investment to London. Over next three years, London will be allocated \$4.1M, which is a decline of \$8.8M; however, the Federal government has committed to keeping the same level of funding in the system through the National Housing Strategy. Some of this funding will be available to communities directly from the federal government as the federal government administers aspects of the National Housing Strategy.</p>	Awaiting further information/details	Awaiting further information/details

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications to the City of London	Estimated Impacts 2019	Estimated Annual Impacts 2020-2023
Housing Services	Ontario Priorities Housing Initiative	<p>The Province will allocate funding to London through the Ontario Priorities Housing Initiative to address local priorities in the areas of housing supply and affordability. This includes new affordable rental construction, community housing repair, rental assistance, tenant supports and affordable homeownership. Over the next three fiscal years, the province will be allocating \$9.1M to London through this program.</p> <p>This program will replace the Investment in Affordable Housing (2014 Extension) program. In 2019-20, there will be one year of overlap funding between the Investment in Affordable Housing (2014 Extension) program and the Ontario Priorities Housing Initiative.</p>	Awaiting further information/details	Awaiting further information/details
Housing Services	Canada-Ontario Housing Benefit	<p>The Province announced the Canada-Ontario Housing Benefit. Once program details are finalized, this program will replace the portable housing benefit program beginning in April 2020.</p> <p>A bilateral agreement between the Province and CMHC is in development. Funds are expected to be flowed beginning April 2020.</p>	Awaiting further information/details	Awaiting further information/details
Homeless Prevention	Community Homelessness Prevention Initiative (CHPI)	<p>The City of London's 2019-2020 CHPI allocation is approximately \$10.7 million, representing no change in funding from the 2018-2019 year. The City's CHPI funding allocation for 2019-2020 is less than previously anticipated and communicated by the previous government (\$11.3 million), although the Province has indicated that the previously anticipated increase may occur for the 2020-2021 funding year.</p>	\$600,000	Awaiting further information/details

Area Impacted	Provincial Announcement	Description of Announcement and Financial Implications to the City of London	Estimated Impacts 2019	Estimated Annual Impacts 2020-2023
Public Transit	Provincial Gas Tax	In January 2017, it was announced that the municipal share of the Provincial Gas Tax was to increase from 2.0 cents/litre in 2018-19 to 2.5 cents/litre in 2019-20; to 3.0 cents/litre in 2020-21; and 4.0 cents/ litre in 2021-22. In the recent Provincial budget, it was announced that the Province would not be going forward with this planned increase. Although this funding increase was not “built in” to the London Transit Commission’s budget yet, this loss of funding is anticipated to have service impacts.	None	\$2,600,000 (2020) \$5,200,000 (2021) \$10,300,000 (2022 - 2023)