



August 24, 2009

MEMORANDUM TO: All Heads of Council

FROM: The Honourable Jim Watson
Minister of Municipal Affairs and Housing

SUBJECT: Provincial-Municipal Fiscal and Service Delivery Review Update

On October 31, 2008, as the result of the Provincial-Municipal Fiscal and Service Delivery Review (PMFSDR), the Province, the Association of Municipalities of Ontario (AMO) and the City of Toronto signed an historic consensus agreement that committed the Province to upload the cost of previously cost-shared social benefit programs off the municipal property tax base. I am writing to update you on the progress of implementation of the recommendations that, when fully realized by 2018, will result in an annual net benefit of \$1.5 billion for municipalities.

Since the consensus agreement was signed, much has changed in the in the global, national and provincial economies, respectively. Yet I am happy to report that the uploads our government committed to are proceeding, based on the agreed-to transfer schedule that is outlined in the consensus report.

An early Review outcome was the agreement that municipal costs for the Ontario Disability Support Program (ODSP) and the Ontario Drug Benefit (ODB) program would be uploaded. In 2008, we uploaded 100 per cent of the Ontario Drug Benefit, saving municipalities \$158 million. This year, we are in the process of uploading ODSP administration costs, which will save an additional \$86 million.

In January 2010, when we begin uploading ODSP benefits, municipalities will save \$310 million. We will finish the upload in 2011, permanently removing the cost of ODSP from the municipal tax base and saving the municipal sector \$340 million.

Starting in 2010, the Province will gradually phase in the uploading of costs of the Ontario Works Benefits (Income and Employment Assistance): three per cent in each of 2010 and 2011; the remainder phased-in by instalments to 2018. Upon completion, the estimated savings for municipalities are estimated to be \$425 million annually.

While the full uploading to the Province will not be completed until 2018, the majority of the costs will be transferred within the next two years. For 2010, the projected municipal savings resulting from the scheduled uploads of social-assistance benefits (i.e., through ODSP and OW) are expected to offset the financial impact of possible increases to social-assistance caseloads associated with the current economic downturn.

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Starting in 2012, the Province will also upload municipal costs for court security and for transportation of prisoners. This will be phased in equally over seven years, up to a maximum value of \$125 million per year at maturity.

In our final consensus report, there were a number of recommendations for further joint work among the partners.

The Ministry of Community and Social Services – along with other responsible ministries, AMO and the City of Toronto – has begun joint processes to discuss issues related to several matters. These include OW administration costs; simplifying and modernizing delivery of income assistance and employment-related supports; better integration of Ontario Works, ODSP and Employment Ontario employment services; and working towards consolidating housing and homelessness programs. AMO has identified municipal staff experts from across Ontario to represent the various municipal interests in these discussions.

In advance of the 2012 uploading of court security and costs for prisoner transportation, the Ministry of the Attorney General and the Ministry of Community Safety and Correctional Services are working collaboratively with AMO and the City of Toronto to identify costs across the province. In order to properly gauge those costs, a municipal survey will be circulated in the near future to those municipalities that currently have courts within their jurisdictions. This should provide an overall picture of how much is spent on court security. As well, in the 2010 Financial Information Returns (FIRs), my ministry will include questions about court security costs so that we can monitor such costs on an ongoing basis.

In addition, there will be joint provincial-municipal discussions on developing court security standards, as municipalities continue to deliver the service. AMO and the City of Toronto have identified experts among both municipal staff and police services as representatives.

The consensus report also proposed the launch of a joint provincial-municipal process to develop options regarding responsibilities and funding arrangements for roads and bridges. Such a process would be based on technical and functional criteria grounded in sound asset management principles. We anticipate that the analysis will inventory assets, classify roads, identify asset management practices and review the Connecting Link program, with a focus on rural and northern communities. This work will put us in a good position to address any remaining issues in subsequent phases at the appropriate time.

I know that the municipal sector has nominated its staff experts for this initiative, and that the Ministry of Transportation is working with other ministries to finalize the approach.

The Review recommendations focused on issues identified as the highest priorities by the municipal sector. They also recognized challenges in municipal infrastructure challenges with recommendations for municipal asset management plans and public transit. The recommendations also state that municipalities need to increase their investment in municipal infrastructure, in partnership with the provincial and federal governments.

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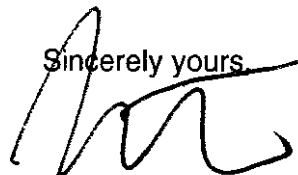
Our government continues to be mindful of your infrastructure pressures and has systematically invested \$6.6 billion in municipal infrastructure in the last three years. This includes the \$1.1 billion from the *Investing in Ontario Act, 2008*, which municipalities are using to improve roads and bridges, expand public transit, and build other municipal projects. Furthermore, over \$1 billion in new funding was provided for municipal infrastructure in our 2008 budget, with \$400 million for municipal roads and bridges, \$497 million for public transit in the Greater Toronto Area and Hamilton for Metrolinx projects and other transit priorities, and \$100 million to rehabilitate existing units of social housing. Our government is also investing \$622 million to match the funding announced in the federal government's 2009 budget, for a combined \$1.2 billion for housing. This funding is expected to create 23,000 jobs over the course of the program.

With your support, we have repeatedly made the case to the federal government for increased assistance for infrastructure funding. Moreover, we are seeing real results.

I would like to thank you for that support and also encourage you to continue allocating some of the savings realized from the uploads to your municipal infrastructure.

As we all know, Ontario is facing an economically challenging time. Based on the positive provincial-municipal relationship, strengthened during the Provincial-Municipal Fiscal and Service Delivery Review, I know that we will collaborate productively to address these economic challenges and to capitalize jointly on emerging opportunities for the benefit of all Ontarians.

Sincerely yours

A handwritten signature in black ink, appearing to read 'Jim Watson', written over the typed name below.

Jim Watson, MPP
Minister