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# 2010 ONTARIO BUDGET

**The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated April 6, 2010, from the Commissioner of Finance.**

## 1. RECOMMENDATION

It is recommended that this report be received for information.

## 2. PURPOSE

This report provides a summary of highlights of the 2010 Provincial Budget and the anticipated impact on York Region.

## 3. BACKGROUND

### The 2010 Provincial Budget was presented on Thursday, March 25, 2010

On Thursday, March 25th, 2010, the Honourable Dwight Duncan, Minister of Finance, presented the McGuinty Government's eighth budget.

Major theme areas addressed in the budget include:

- Ontario's Plan for Jobs and Growth
- Open Ontario Plan for Education
- Full-Day Learning
- Investing in Child Care
- Ontario's Tax Plan for Jobs and Growth
- Short-Term Infrastructure Investments
- Jobs in the Green Economy
- Open Ontario Northern Strategy
- Managing Responsibly

## 4. ANALYSIS AND OPTIONS

### Some initiatives in the Provincial Budget will have an impact on municipalities

The budget contains a section dealing with the municipal sector entitled **Partnering with Municipalities.** The information sheet highlighted many provincial initiatives that have benefited the municipal sector that have already been announced, including stimulus funding, Gas tax, Investing in Ontario funding and uploading of social services.

The Province will also undertake a comprehensive review of capital and will introduce a new 10 year infrastructure plan in 2011, which will form the foundation for infrastructure planning and funding in the post-stimulus period for the broad public sector, including the municipal sector.

The Ontario budget contains a number of commitments that will have an impact on York Region. Further details are discussed as follows.

### The Provincial Budget maintains Child Care spaces

The budget commits to increasing child care funding for existing spaces by $63.5 million annually to make up for the loss of federal government funding, thus preserving 8,500 child care spaces. This initiative is targeted to help to ensure that working parents continue to have access to quality child care and play an active role in the labour force.

Although provincial funding levels have been maintained, it remains unclear how the province's recently announced Early Learning Program and shifts in its child care funding to Boards of Education will impact York Region's child care service delivery and planning.

### An Ontario Water Strategy is being developed

The Province is developing a water strategy that is intended to make Ontario a leader in water conservation and innovation and protect Ontario's water resources. The strategy will promote business and employment opportunities by supporting commercialization of water and wastewater technologies. The strategy will:

- Work with colleges, universities and entrepreneurs to create jobs and attract clean water expertise and investment to the province
- Improve the efficiency of Ontario's water and wastewater infrastructure
- Introduce a new Water Opportunities Act to support the development of new technologies for water conservation and treatment
- Promote Ontario's water technology sector at home and abroad

## Measures to manage compensation have been introduced

The budget introduces measures to manage labour costs, including extending the freeze for MPP pay, freezing compensation structure of non-bargained political and legislative assembly staff for two years, freezing compensation structures in the Broader Public Sector and the Ontario Public Service and for all non-bargained employees for two years. Municipalities are exempted from these measures. The government also committed to work with transfer partners and bargaining agents as collective agreements are renegotiated to manage spending pressures, protect public services and provide no net increase in compensation. It is not clear at this time how this might affect Regional programs which are cost-shared with the Province.

## The Ontario Bus Replacement Program is eliminated

The 2010 Provincial budget eliminates the Ontario Bus Replacement Program (OBRP) and now includes bus replacement costs as eligible expenses under the Provincial gas tax funding program. One-time funding of almost $174 million in 2009-10 will be provided by the Province to cover current municipal commitments for all eligible systems in Ontario under the OBRP, including approved 2010 bus replacements.

In November 2009, Council approved the retirement of conventional transit buses after 12 years of service instead of 18 years, subject to continuation of OBRP funding. The business case in support of this retirement program included the Ontario Bus Replacement Program which funded one-third of the replacement bus costs over a 12 year time period. In light of elimination of OBRP funding, this retirement program will need to be revisited and a detailed report on this topic will be provided to Transportation Services Committee.

## Metrolinx is slowing spending on transit projects which may affect the York Region Rapid Transit Plan

As part of its deficit reduction strategy, the Province indicated that it would be working with Metrolinx to phase construction of transit projects, resulting in approximately $4 billion in appropriation savings and borrowing over 5 years. At this time, it is not known how the timing of individual projects will be affected. Further guidance is expected over the next days and weeks on how Metrolinx intends to approach the cash flow impact on York Region's funded projects which include:

- Highway 7(H3)-from Kennedy Road to Richmond Hill Centre (Markham)
- Highway 7(H2)- Richmond Hill Centre to Pine Valley (Vaughan)
- Yonge Street(Y2) from Richmond Hill Centre to Nineteenth Avenue (Richmond Hill)
- Yonge Street/Davis Drive (Y3,2/D1)(from Savage Road to Davis and Davis from Yonge to the 404).

These projects were scheduled to be constructed over the next five years in two bundles. The first bundle had the Markham and Newmarket rapidways under construction in late 2010. The Vaughan and Richmond Hill rapidways were scheduled for construction to commence in 2012.

### ODSP and Ontario Works Allowances will be increased

The budget commits to increasing the basic adult needs and shelter allowances for the Ontario Disability Support Program and Ontario Works recipients by one per cent. The Ontario Disability Support Program will be fully uploaded to the Province by 2011, ending municipal contributions. The allowance increase for Ontario Works will impact municipalities by increasing the municipal portion of this program beginning in January 2011. A one per cent increase in the allowances represents approximately a $200,000 tax levy pressure to York Region in 2011.

A shift in the Special Diet Allowance to the Ministry of Health will reduce tax levy requirements. It remains unclear how the province will implement the new Special Diet Allowance and if the new program will impact tax levy.

## 5. FINANCIAL IMPLICATIONS

### The Region will need to find alternative funding for 2011 and subsequent bus replacements in light of the elimination of OBRP funding

In the 2010-2019 capital plan, approximately $68.6 million in bus replacement costs were identified as being financed from the Ontario Bus Replacement Program. The Province has informed the Region that funding in the amount of $7.9 million dollars will be provided for bus replacements in 2010. As a result of the elimination of the OBRP, the remaining balance of $60.7 million will require alternative funding sources. The use of future Federal gas tax may help to address this loss of funding.

The funding gap of $60.7 million shown above was based on a 12 year bus life. The Region’s bus retirement program will need to be revisited, given that the business case for the 12 year bus life instead of 18 years was in part based on continuation of OBRP funding. Although long term bus replacement costs would be lower with an 18 versus 12 year bus life, this is offset by the need to conduct major structural refurbishing and higher operating costs. This analysis will be included in a report to the Transportation Services Committee in June 2010.

## 6. LOCAL MUNICIPAL IMPACT

It is expected that all municipalities may be impacted by the announcements contained in the 2010 Ontario Provincial Budget. The actual impact will be determined based on further details related to the respective programs. The Provincial Budget contains initiatives that will enable York Region to continue to provide services that will benefit residents and businesses in all local municipalities within the Region.

## 7. CONCLUSION

The initiatives announced in the 2010 Provincial budget will have some impact on York Region. Specifically the elimination of the Ontario Bus Replacement Program, freezing compensation structures and the impact on funding of cost shared programs, funding of child care spaces and the increase in Ontario Works allowances. Information contained in this report is based on the best information available at this time. As further details become available, we will be in a better position to assess the impact on York Region services and proposed new initiatives in partnership with funding partners.

For more information on this report, please contact Kelly Strueby at Ext. 1611.