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2006 PROVINCIAL BUDGET

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, April 3, 2006, from the Commissioner of Finance:

1. RECOMMENDATION

It is recommended that:

1. The increased EMS subsidy of approximately \$5 million be contributed to the Capital Reserve.

2. PURPOSE

The purpose of this report is to provide summary highlights of the 2006 Provincial Budget and the anticipated impacts on York Region and seek direction from Regional Council with respect to the increased EMS subsidy.

3. BACKGROUND

The Provincial Minister of Finance, the Honourable Dwight Duncan, presented the 2006 Provincial Budget on March 23, 2006. The theme of this budget is *Building Opportunity*. While the budget addresses a wide variety of issues and initiatives affecting Ontario municipalities, in particular, the City of Toronto and GTA municipalities were targeted in many of the budget's announcements.

More specifically, York Region is expected to benefit from a number of the initiatives announced and are highlighted below.

3.1 Transit Infrastructure

The Provincial budget provides \$7 million for VIVA for the continued environmental assessment and detailed planning for Phase 2, progressing towards the first stages of dedicated transit corridors on key VIVA routes.

3.2 Extending Toronto Subway to York Region

The Province established a \$670 million Trust Fund for the funding of the subway extension from the existing Downsview station to the Vaughan Corporate Centre at Jane Street and Highway 7. The funding represents approximately 1/3 of the required funding of the project. The details of the funding split between York Region and the City of Toronto need to be determined over the next six months.

The province has appointed three interim trustees to manage the funds and their investment. The interim appointees are the Treasurers of the two municipalities and the Deputy Minister/Secretary of Treasury Board. The appointment of permanent trustees will be required by each of the City of Toronto, the Region of York and the Province over the next two months.

The Province also indicated that the use of Tax Increment Financing would be made available to the municipalities to help finance this initiative. At this time, the potential value of this new financing tool is not known but it should assist in offsetting, to a degree, the impact on property taxes of financing this initiative.

This project, although welcomed, cannot be afforded unless the federal government also participates in the funding.

A separate report on this project is included in the Committee Agenda.

3.3 Road Infrastructure

Two major highway initiatives were announced: The extension of Highway 404 in East Gwillimbury to Ravenshoe Road and the undertaking of the Environmental Assessment for Highway 427 in the City of Vaughan.

3.4 Transit Vehicles Subsidy (OTVP)

The existing Ontario Transit Vehicle Program – a program through which the province grants offsetting up to 33% of the cost of new buses - has been cancelled as of March 23rd and will be replaced in 2007 by a new predictable, multi-year municipal bus replacement program. It is expected that the new program will apply funding only to replacement buses; not new owned ones. Funding in 2006 is being provided only to those municipalities who had placed orders for new buses or refurbishments. Staff will be meeting with the Ministry of Transportation over the next few weeks to obtain further details.

3.5 Gas Tax Modifications

The final phase of Gas Tax transfer (at 2 cents per litre) was also confirmed and the rules surrounding its use were expanded to allow for use in funding transit system operations.

3.6 Greater Toronto Transportation Authority (GTТА)

The Province announced that it would be introducing legislation to establish the Greater Toronto Transportation Authority (GTТА). This authority would plan, coordinate and set priorities for public transit investments and major regional roads.

The Province promised to help develop the GTA Fare Card System. This integrated-ticket system will allow people to move easily across nine municipal transit systems and GO Transit with a single fare card.

3.7 Social Assistance

The Province announced an increase in Social Assistance basic needs and maximum shelter allowances for recipients of Ontario Works and ODSP of 2%. There will be no municipal cost sharing of this for 2006; however, it will be a 2007 budget pressure.

3.8 Child Care

The Province announced that the planned child care system expansion and enhancement cannot be implemented, as originally planned, since the federal government has given notice to terminate the Early Learning and Child Care Agreement after 2006/2007. The Province plans to allocate the 2006/2007 payment from the federal government over the remaining life of the original agreement to 2009/2010. Further details are required in order to assess the municipal impact.

3.9 Public Health

The Ontario budget confirmed that the provincial cost sharing of Public Health would be increased to 65% in 2006 and 75% in 2007 as had been previously announced.

3.10 Municipal Land Ambulance

The Ontario budget confirmed the announcement of moving toward 50/50 cost sharing of land ambulance services over the next three years. On March 31, 2006, the Ministry of Health and Long-Term Care announced municipal funding increases for 2006. York Region's share is \$5,067,102. As this in-year announcement of additional subsidy was not included in the department's 2006 operating budget, it is recommended that this revenue be used as a significant contribution to the EMS asset replacement program. The 2007 budget will recognize this subsidy increase and relieve budget pressures.

3.11 Other

The Provincial budget provides \$400 million for improving roads and bridges. No funding was allocated to those municipalities who received the transit funding.

The budget also outlines changes to the Ontario Municipal Partnership Fund to provide additional funding to those municipalities with high municipal social program costs relative to their resident's household incomes. This change generated a grant of \$35 million for the City of Toronto. It is not yet known how this will impact the GTA pooling calculations.

The City of Toronto received a \$200 million one-time grant for the support of subway operations.

4. ANALYSIS AND OPTIONS

Financial analysis and budget impacts on York Region will be more clearly determined following receipt of guidelines and further details relating to the budget announcements. These will be reflected in the development of the 2007 business plans and operating and capital budgets, as many of these initiatives are expected to impact on the Region's 2007 and subsequent year's programs and service delivery.

5. FINANCIAL IMPLICATIONS

Based on the preliminary analysis of the Provincial Budget announcements, it appears that impacts and financial implications will commence in the 2007 fiscal year.

Some of the impact areas include:

- o *Social Assistance* – basic needs and maximum, shelter allowances for Ontario Works and ODSP increasing 2% or approximately \$500,000 commencing in fiscal 2007.
- o *Child Care* – impact of Federal Government program funding cancellation and change in provincial allocation over remaining life of original agreement. Financial impact will not be known until program details are available.
- o *Public Health* – increase in subsidy from 65% to 75% in 2007. Based on 2006 preliminary estimates, this will increase Provincial subsidy by approximately \$6 million.
- o *Land Ambulance* – phase-in of 50/50 cost sharing over the next three years. True 50/50 cost sharing between the Province and the Region of York would result in approximately \$9 million in additional funding to York Region over the three year period.

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- o *OTVP* – new criteria to be established for bus replacement program; applicability to new growth-related purchases is expected to cease
- o *Subway Extension* – a separate report is being prepared on this subject.

Comprehensive analysis of these announcements and related financial implications will be undertaken as full information becomes available.

6. LOCAL MUNICIPAL IMPACT

York Region provides services to residents and businesses in all local municipalities. The Ontario Provincial budget contains initiatives that will enable York Region to provide enhanced service that will benefit residents and businesses in all local municipalities within the Region.

7. CONCLUSION

The 2006 Ontario Provincial budget addresses a wide variety of issues and initiatives affecting municipalities in Ontario. Several initiatives in the Provincial budget were specific to the GTA, such as funding support for the subway extension to Vaughan.

In general, many of the items outlined in the Ontario Budget will benefit York Region. From a financial perspective, the Budget reiterates increased funding support for some programs (such as EMS and Public Health), while other initiatives will necessitate increased funding contributions from York Region (such as the subway extension and increased social assistance allowances).

It should be noted, that this budget did not address the funding of long standing issues such as GTA pooling or GO Transit funding.

The Senior Management Group has reviewed this report.