1
2005 GTA POOLING PAYMENTS

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, undated, from the Commissioner of Finance, together with the following further recommendations:

2. **that the Province of Ontario be advised that as per Council's decision of February 17, 2005, the Region will not be making any payments beyond the $81.63 million in 2005;**
3. **that the Province also be advised that the Region will not be paying any increases beyond the $81.63 million in 2006;**
4. **that Council's decision be forwarded to the Premier of Ontario, the Minister of Finance, all GTA MPP's and the Leader of the Opposition; and**
5. **that Council consider the resolution (September 26, 2005) from the City of Vaughan (Attachment 1) as part of its deliberations.**

1. RECOMMENDATION

It is recommended that:

1. The 2005 GTA Social Housing and Social Assistance pooling payments be capped at an amount equal to $81.63 million through a reduction to the planned December Social Housing payment and future "Period 13" reconciliation payments for both of these programs.

2. PURPOSE

The purpose of this report is to recommend a strategy to give effect to Council's resolution that GTA Social Assistance (SA) and Social Housing (SH) pooling payments be capped at a 3% increase over 2004.

3. BACKGROUND

At its meeting of February 17, 2005, Council directed that the 2005 GTA pooling payment to the Province be capped at a 3% increase over 2004 to reflect the projected increase in the City of Toronto's residential tax rate for 2005.

Since GTA pooling costs represent a combination of several types of payments, offsets and supplemental billings, a process needs to be implemented to meet Council's direction.

3.1 Evolution of GTA Pooling

As part of the Local Services Realignment (LSR) in 1998, the Province agrees to fund 50% of residential education tax in return for municipalities funding more services, resulting in surplus for 905 Regions and a deficit for Toronto. GTA Pooling was then introduced as a temporary measure to balance the difference. SA and SH costs of the 905 regions were aggregated with that of Toronto, and shared using an equalization formula established by the Province that is based on each municipality's weighted assessment. Pooling payments are made monthly to the Province based on the difference between its GTA share and actual local costs. The Province then distributed the money to Toronto and recently to Durham as well.

3.2 Pooling Not Affordable to York Region

The followings are some facts about GTA pooling:

- The Region has contributed over $655 M for GTA Pooling since 1998.
- GTA Pooling is the second largest item in the Region's budget, after York Regional Police Services.
- About 15 cents of every Regional tax dollar goes towards pooling costs.
- York Region is the only municipality that contributes more to both SA and SH pooling than it spends on its own programs

Being the third largest municipality in Ontario, the Region is now facing a major challenge to fund service costs that are required to support municipalities' rapid growth. Not only is the tax room of the Region no longer available, but resources are indeed required urgently to address these financial challenges. The Region cannot afford to support the services in Toronto at the expense of our own servicing priorities.

Table 1

Social Assistance and Social Housing Own Program Costs
vs.
GTA Pooling Contributions

	1998	1999	2000	2001	2002	2003	2004*	2005*
York Program Costs ($ M)	60.4	52.1	53.1	53.5	51.5	53.7	52.8	52.8
York Pooling Costs ($ M)	86.6	85.6	79.3	83.2	75.3	78.6	79.2	86.7
York's Share of GTA Pooling (%)	14.92%	15.20%	15.20%	15.61%	14.60%	14.94%	14.98%	15.81%
Toronto Pooling Receipts ($M)	194.5	187.2	177.7	187.0	161.3	161.3	170.8	184.3

***** Estimates only

3.3 Current Payment Mechanism

The Region submits monthly payments for both of the SA and SH components of GTA pooling using different mechanisms.

3.3.1 Social Assistance

The Province has estimated that the Region will be required to contribute $43.3 million toward the SA component of pooling. However, the payment for SA involves a number of steps.

The Region cost shares 20% of the program costs for Ontario Works (OW) and Ontario Disability Support Program (ODSP) with the Province, and 50% of the administration costs for both programs. In each month, the Province advances us their share of OW, such that the Region will not be "out of pocket". As for ODSP, the Province initially pays the full program cost and administration cost, and the Region reimburses the Province 20% of the program costs. Overall, it usually results that the Province owes an amount to the Region. This adjustment is then deducted from the monthly contribution the Region makes to the Province.

At the end of the year, the Province provides the Region with a reconciliation between the amount collected and the total amount owed for pooling purpose, which normally requires further payments from the Region.

3.3.2 Social Housing

Social Housing pooling payment is comparatively more straight-forward. For the year 2005, the provincial estimate of $43.3 million is divided into twelve equal monthly payments of $3.6 million. Adjustments arisen from unanticipated costs from any GTA municipalities will be billed or credited to the Region after the year-end.

4. ANALYSIS AND OPTIONS

4.1 Comparison of Current Budget and Regionally Approved Amount

The Region has levied $86.7 million for GTA pooling for the 2005 fiscal year based on the provincial estimates. Based on the 2004 pooling payment of $79.25 million, the capped payment at 3% would be $81.6 million for 2005. The difference between the levied amount and the Council approved amount is $5.07 million, as shown on Table 2.

The Region remits base payments for SA and SH according to the provincial payment schedule; this would result in a total of $82.88 million, representing a net "overpayment" of $1.28 million compared to the Council approved amount. Therefore, a payment reduction is required in December to avoid an overpayment.

Table 2
GTA Pooling Contributions from the Region of York ($ Millions)

	2004 Provincial Estimates	Council Approved Contributions for 2005 (3% increase of 2004)	2005 Budget (Provincial Estimates)	Difference Between Budget & Approved Contributions
Social Assistance	39.60	40.78	43.34	2.56
Social Housing	39.65	40.84	43.35	2.51
Total Pooling	79.25	81.63	86.70	5.07

4.2 Reduction in GTA Pooling Payments

It is proposed that the pooling cap be achieved through reductions to SA of $2.56 million and SH of $2.51 million (total $5.07 million) as follows:

Social Assistance

For 2005, the Province has indicated a requirement of $43.3 million by way of 12 payments totalling $39.6 million plus a "Period 13" adjustment of approximately $3.7 million. It is recommended that the Region withhold $2.56 M from the "Period 13" adjustment to cap total payments at the level equivalent to 3% increase over 2004.

Social Housing

For 2005, the Province will collect $43.3 million by way of 12 equal payments throughout the year. It is recommended that the Region reduce the December SH payment amount by $2.51 million to achieve the amount approved by Council.

5. FINANCIAL IMPLICATIONS

Council's decision to cap GTA pooling payment at a 3% increase from the 2004 level will reduce the total payment by $5.07 million.

6. LOCAL MUNICIPAL IMPACT

There are no financial implications to local municipalities.

7. CONCLUSION

This report identifies a process to cap the 2005 GTA SA and SH pooling payment at a 3% increase over 2004 to reflect the projected increase in the City of Toronto's residential property tax rate.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause is attached to this report.)