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Subject AMO POLICY UPDATE

November 13, 2014

## Provincial Funding Announcements - 2015 OMPF and Public Transit

### A. 2015 OMPF Allocations Announced

Today the Ministry of Finance issued 2015 allocation notices from the Ontario Municipal Partnership Fund (OMPF). Letters to heads of council and treasurers are being mailed at this time.

Allocation notices may also be viewed on the [Ministry's website](#). Below are key aspects of the funding announcement for 2015 and issues on the funding horizon for 2016 and beyond. This will be of importance to current and new councils.

#### **A reduced envelope province-wide**

The total envelope continues to decrease. A \$35 million cut will occur in 2015 dropping the total Fund to \$515 million. It was \$550 million in 2014 and \$575 million in 2013. If the government continues with its fiscal plan, an additional cut of \$15 million should be expected in 2016. The 2014 Provincial Budget profiled a commitment of a \$500 million envelope by 2016.

AMO advocated for a deferral of the expected cut of \$25 million for 2015. AMO was extremely disappointed when the 2014 provincial budget included a cut of \$35 million. AMO and municipal treasurers who were consulted on the Fund's 2015 design noted the Ministry's competing goals of stability for all recipient municipalities and targeting assistance for municipalities in greatest need within a declining overall funding envelope.

#### **Impact on recipient municipalities**

Of the 388 municipalities which receive OMPF dollars, 245 will experience a decrease while 143 will either have stable or increased funding. Individual municipal reductions for the coming year will be primarily determined as a percentage of 2014 allocations and for northern and rural municipalities, will be scaled based on the relative fiscal health of those municipalities.

Generally, northern municipalities experienced a cut of up to 10% of their total 2013 OMPF allocation. This year they will experience the same cut of up to 10% for 2015. Generally, southern municipalities experienced a cut of up to 15% of their total 2013 OMPF allocation. This year they will experience a cut of up to 20% for 2015. These changes are very significant for many communities.

#### **How does OMPF structure for 2015 compare to 2014?**

For 2014 and 2015, the grant structure within the OMPF remain the same. They are: Assessment Equalization, Northern Communities, Rural Communities, Fiscal Circumstances and Transitional. The Transitional Assistance grant component for 2015 has been reduced by \$40 million while the Fiscal Circumstances grant component has been enhanced by \$5 million. No changes were made to the other three components.

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OMPF Grant Components	2012	2013	2014	2015	2016
Social Services Grant	30		0	0	
Policing Grant	94		0	0	
Farmland and Managed Forests Grant	46		0	0	
Assessment Equalization Grant	148		149	149	
Northern Communities Grant	86		79	79	
Rural Communities Grant	162		138	138	
Fiscal Circumstances Grant			50	55	
Transitional and Stabilization Grants	30		134	94	
<b>TOTAL OMPF</b>	<b>596</b>	<b>575</b>	<b>550</b>	<b>515</b>	<b>500</b>

The Municipal Fiscal Circumstances Index (MFCI) measures such factors as weighted assessment per household, median household income and employment rates among others, on a relative basis, for northern and rural municipalities that have been receiving OMPF. As noted above, the degree of cuts for the majority of recipient municipalities will be determined in part by the use of this measure. This approach demonstrates some sensitivity to the fiscal condition of municipalities and the limited capacity of some to shoulder any cuts.

The 2008 upload agreement of social assistance and court security costs affected different municipalities in different ways. Despite the merits of the uploads, many communities continue to face limited or declining fiscal health and face fundamental operating budget challenges. AMO is concerned about the cumulative fiscal impact of a variety of provincial government initiatives. These include the 2011-2014 OPP wage increase, social assistance benefit adjustments, OPP billing changes, and special dam payment cuts to name just a few program cost changes that have occurred during the ensuing years.

Through a discussion with AMO, Premier Kathleen Wynne, Ted McMeekin, Minister of Municipal Affairs and Housing, and Deb Matthews, President of the Treasury Board, have agreed to the need to examine this provincial multi-ministerial cumulative impact on municipal governments' fiscal health. Discussions are underway with the government on how this can occur.

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#### B. Ontario Delivers Permanent Funding for Transit

The Honourable Steven Del Duca, Minister of Transportation, today announced that the Province is providing \$321.5 million this year to support municipal public transit systems through the Ontario Gas Tax for Transit program ([link to attachment](#)).

Municipalities are managing an infrastructure funding gap estimated in 2008 to be \$60 billion over ten years. To help communities manage this funding crunch and continue to deliver transit for our

residents, AMO called on the Province to make the Ontario Gas Tax permanent for municipalities who have transit systems and to create a permanent fund for municipal roads and bridges in small, rural and northern communities.

The 2013 Budget delivered on our ask. Municipal governments can count on permanent support for transit through this program. Ontario's Gas Tax Fund delivers two cents for every litre of gasoline sold in the province to support transit providing \$3.1 billion for municipal transit since its creation.

In 2014 the Ontario Budget responded to AMO's call for permanent funding for roads and bridges in small, rural and northern communities by creating the Ontario Community Infrastructure Fund (OCIF) for municipalities with under 100,000 residents. AMO understands that municipalities should have received their formula allocations under OCIF. Announcements regarding project applications will be made in the coming months.

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