November 26, 2008

Mayor and Members of Council
Hamilton City Centre
77 James St. N., Suite 230
Hamilton, ON  L8R 2K3

Mayor and Members of Council;

Attached is report FCS08110(a) from Peter Barkwell, Acting General Manager, Finance and Corporate Services Department respecting “Provincial and Municipal Fiscal and Service Delivery Review – Update”

The report recommends that staff be authorized to negotiate with the Province Social Services Bridge Financing through grants, loans or a combination thereof.

The issue is being placed before Council for consideration due to the anticipated timing of the provinces decision on interim financing through the uploading transition of Ontario Disability Support Program (ODSP), Ontario Works Client Benefits (OW) and Court Security costs.

[Signature]
Kevin C. Christenson
City Clerk
CITY OF HAMILTON

CORPORATE SERVICES
Budgets and Finance Division

Report to: Mayor and Members of Council
Submitted by: Peter A. Barkwell
Acting General Manager

Date: November 25, 2008
Prepared by: Tom Hewitson, ext. 4159
Mike Zegarac, ext. 2739

SUBJECT: Provincial and Municipal Fiscal and Service Delivery Review - Update
FCS08110(a) (City Wide)

RECOMMENDATION:

(a) That the Province of Ontario be requested to provide a Social Services Bridge Financing loan and/or grant to offset the short-term negative impact by the reduction in provincial funding for Social Services;

(b) That the Province be requested to update the 2007 OMPF to $38.4 million as identified in their recent OMPF reconciliation, for the purposes of calculating the 2009 OMPF amount; and

(c) That Report FCS08110(a), "Provincial and Municipal Fiscal and Service Delivery Review - Update", be forwarded to the Minister of Municipal Affairs and Housing and the Minister of Finance.

Peter A. Barkwell, Acting General Manager
Finance and Corporate Services Department

EXECUTIVE SUMMARY:

On November 13th, 2008, staff submitted FCS08110, "Provincial-Municipal Fiscal and Service Delivery Review" to Committee of the Whole. As identified, the Province will be uploading costs for Ontario Disability Support Program (ODSP), Ontario Works Client Benefits (OW) and Court Security costs. As well, grant programs including OMPF will be phased out. Once the upload process is complete, the City of Hamilton is estimated to benefit by about $18.4 million.
Staff has received additional information from the Province which impacts the analysis provided in FCS08110. Unfortunately, staff have learned that the 2009 OMPF grant will be reduced by the uploaded savings from 2008 ($9.4 million) and the uploaded savings from 2009 ($5.3 million). Therefore, it is now estimated that the 2009 OMPF will only be $21.3 million.

The updated information translates into a projected 2009 budget shortfall of $21.1 million, not $16.4 million as previously stated.

Consistent with the recommendations in FCS08110, staff are recommending that the Province ensure that the City not be impacted in a negative way by the uploading process. This could be achieved through either grants, loans, or a combination of both.

The following table identifies the projected impacted of the recent announcement and the grant payments that would be required to ensure no tax levy impact.

**TABLE ONE TO FCS08110(a)**

**GRANT SCENARIO**

($ Millions)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Uploaded Costs *</th>
<th>Special Grant Reduction</th>
<th>OMPF Reduction</th>
<th>Upload Impact</th>
<th>Shortfall</th>
<th>Grant Required</th>
<th>Levy Impact</th>
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<tbody>
<tr>
<td>2009</td>
<td>(5.30)</td>
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<td>0.00</td>
<td>(21.10)</td>
<td>21.10</td>
<td>0.00</td>
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<tr>
<td>2011</td>
<td>(19.40)</td>
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<td>4.10</td>
<td>(15.30)</td>
<td>(5.80)</td>
<td>5.80</td>
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<tr>
<td>2012</td>
<td>(1.50)</td>
<td></td>
<td>(1.50)</td>
<td>(4.30)</td>
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<td>4.30</td>
<td>0.00</td>
</tr>
<tr>
<td>2013</td>
<td>(3.50)</td>
<td></td>
<td>(3.50)</td>
<td>(0.80)</td>
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<td>0.80</td>
<td>0.00</td>
</tr>
<tr>
<td>2014</td>
<td>(3.80)</td>
<td></td>
<td>(3.80)</td>
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<td>0.00</td>
<td>(3.80)</td>
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<tr>
<td>2016</td>
<td>(3.80)</td>
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<tr>
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<td>(3.80)</td>
<td>0.00</td>
<td></td>
<td>0.00</td>
<td>(3.80)</td>
</tr>
</tbody>
</table>

**TOTAL** | **(66.10)** | **12.00** | **35.70** | **(18.40)** | **(53.10)** | **53.10** | **(18.40)** |

Note - In 2008 the Province uploaded $9.4 million in ODB costs while maintaining OMPF grant at $35.7 million.

* - ODSP and OW costs have been inflated based on current projections.

As the previous table demonstrates, the most significant assistance will be required during 2009 – 2010. The total grants required would be $53.1 million. The City would not realize a tax levy benefit until 2014.

Alternatively, staff was requested to analyze the impact if the provincial assistance was by means of an interest free loan during this period. The following table identifies the projected loan requirements, repayment schedule and levy impacts:
TABLE TWO TO FCS08110(a)

LOAN SCENARIO
($ Millions)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Uploaded Costs *</th>
<th>Grant Reduction</th>
<th>OMPF Reduction</th>
<th>Upload Impact</th>
<th>Loan Required</th>
<th>Loan Payment</th>
<th>Levy Impact</th>
<th>Loan Balance</th>
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<td>12.00</td>
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<td>(21.10)</td>
<td>0.00</td>
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<tr>
<td>2010</td>
<td>(17.20)</td>
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<td>52.30</td>
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<tr>
<td>2013</td>
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<td>0.00</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
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<td>(3.80)</td>
<td>3.00</td>
<td>0.00</td>
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<tr>
<td>2015</td>
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<td>43.30</td>
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<td>2016</td>
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<tr>
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<td>(4.00)</td>
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<tr>
<td>2018</td>
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<td>(3.80)</td>
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<tr>
<td>2019</td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>TOTAL</td>
<td>(66.10)</td>
<td>12.00</td>
<td>35.70</td>
<td>(18.40)</td>
<td>(53.10)</td>
<td>53.10</td>
<td>(18.40)</td>
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</tr>
</tbody>
</table>

Note - In 2008 the Province uploaded $9.4 million in ODB costs while maintaining OMPF grant at $35.7 million.
* - ODSP and OW costs have been inflated based on current projections.

As identified above, the City of Hamilton would require a $21.1 million loan in 2009 to ensure no levy impact from the provincial announcement. In 2010, an additional loan in the amount of $21.1 million is required because the City receives no net benefit from the upload ($17.2 million in costs are uploaded and $17.2 million in OMPF is lost). It is not until 2011 that the loan requirement is reduced and not until 2018 that there is a small levy benefit. In 2019, a significant levy benefit occurs as the $18.1 million loan repayment budgeted in 2018 is no longer required.

Under both scenarios, the net benefit of the uploading is $18.4 million. The difference is the length of time required until the City starts to realize the benefit (2014 in the grant scenario; 2018 in the loan scenario). Under the loan scenario, the debt would peak in 2013, at a total of $53.1 million and would not be paid off until 2018. Note, that the loan scenario assumes no interest charges. If interest was charged, the length of time required to pay back the loan would be extended which would further defer the realization of any levy savings.

BACKGROUND:

Staff report FCS08110, “Provincial and Municipal Fiscal and Service Delivery Review”, was submitted to CoW on November 13th, 2008 and provides full background to the recent provincial announcement.
ANALYSIS/RATIONALE:

Staff is recommending that grants, loans or a combination thereof be provided by the Province to ensure that the tax levy is not negatively affected during the process of uploading costs and reducing grants.

ALTERNATIVES FOR CONSIDERATION:

Failing intervention by the Province, the City would have to mitigate $21.1 million in tax levy pressures in 2009 due to the loss of OMPF and provincial special funding.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

As noted in previous sections.

POLICIES AFFECTING PROPOSAL:

N/A.

RELEVANT CONSULTATION:

Province of Ontario.

CITY STRATEGIC COMMITMENT:

By evaluating the "Triple Bottom Line", (community, environment, and economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No

Environmental Well-Being is enhanced. ☑ Yes ☐ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

The issuance of this corporate contract enhances buying power and ensures that volume discounts are maximized for the City.

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? N/A. ☐ Yes ☑ No