

The Corporation of the City of Kawartha Lakes

Committee of the Whole Report

Report Number CORP2019-009

Date: April 9, 2019

Time: 1:00 p.m.

Place: Council Chambers

Ward Community Identifier: Various

Title: Federal and Provincial Funding Update

Description:

Author and Title: Jennifer Stover, Director, Corporate Services

Recommendation(s):

That Report CORP2019-009, **Federal and Provincial Funding Update**, be received;

That the one-time funding of approx. \$4.66 million, be transferred to the Federal Gas Tax reserve; and

That the one-time Provincial funding of \$725,000 be transferred to the Contingency reserve; and

That the Provincial cannabis funding be retained as a deferred revenue; and

That staff report back to Council upon completion of the update to the Long Range Financial Plan as to the best use of these funds; and

That Council transfer \$400,000 of 2019 OMPF surplus funds from the Operating Budget to the Contingency reserve to mitigate future anticipated reductions in Ontario Municipal Partnership Funding; and

That this recommendation be brought forward to Council for consideration at the next Regular Council Meeting.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

The City concluded discussions on the 2019 budget on February 20, 2019. In the weeks following this decision the Federal and Provincial governments have each made funding announcements that positively impact the level of funding being received by the City in 2019.

Federal Gas Tax Funding

The City receives Federal Gas Tax funding annually and the 2019 allocation is \$4,576,100. The Gas Tax funding is restricted and can only be used for specific municipal infrastructure projects such as: local roads and bridges; regional and local airports; broadband connectivity; public transit; drinking water; wastewater; solid waste; brownfield redevelopment; sport; recreation; culture; and tourism. The 2019 funding was allocated entirely to urban and rural road reconstruction in the capital budget.

The 2019 Federal budget included a one-time top-up of \$2.2 billion to the Federal Gas Tax Fund. The City has not received notification of the exact amount of the one-time funding that will be received however, it is anticipated that it will be consistent with 2018 funding of \$4.66 million. The total annual allocation, plus the one-time funding will provide the City with approximately \$9.2 million in funding for 2019.

Provincial Funding

On March 20, 2019 the Province announced one-time funding to support small and rural municipalities in their efforts to “become more efficient and reduce expenditure growth in the longer term”. The funding is unconditional however, it is intended to help modernize service delivery and reduce costs through investment in projects such as: service delivery reviews, development of shared services agreements, and capital investments. The one-time funding that the City will receive is \$725,000.

Provincial Cannabis Funding

With the legalization of recreational cannabis, the Province recognized that there would be impacts to municipalities such as: policing; by-law enforcement; public health; paramedics. The Province has allocated \$40 million over a two year period to assist municipalities with the implementation and impact of legalized cannabis in the community. The City’s allocation is \$225,061 and the funds have been received.

There are restrictions on the funds. Municipalities must use the money they receive solely for the purpose of paying for implementation costs directly related to the legalization of cannabis. The funds must be used for:

- Increased enforcement (ie. Police, public health and by-law enforcement, court administration, litigation)
- Increased response to public inquiries (ie 311 calls, correspondence)
- Increased paramedic services
- Increased fire services
- By-law / policy development (ie police, public health, workplace safety policy)

The funds cannot be used to pay for:

- Costs that have been, or will be, funded or reimbursed by any other government body or third party
- Costs not related to cannabis legalization.

Ontario Municipal Partnership Fund

The City receives Ontario Municipal Partnership Fund (OMPF) funding on an annual basis. This fund is intended to support northern and rural municipalities and reflects the following objectives:

- supports areas with limited property assessment;
- recognizes the challenges of northern and rural municipalities, while targeting funding to those with more challenging fiscal circumstances; and
- assists municipalities that are adjusting to year-over-year funding shifts.

At the time that the 2019 budget was being prepared, the Province was reviewing the OMPF program and had announced that the 2019 allocations would be reduced by an “unspecified amount”. The City received \$7,205,000 of OMPF funding for 2018. Due to the uncertainty of the grant, staff included a provision for the reduction of \$200,000 in the 2019 budget. Shortly after the City’s budget was approved, the Province made an announcement that it would leave the 2019 funding “virtually the same”. The City’s allocation for 2019 has been confirmed as \$7,433,500 or approximately \$200,000 higher than 2018 funding.

The Province is continuing to review the OMPF model and has committed to make an announcement on future funding sometime in 2019.

Canada – Ontario Bilateral Agreement Funding

In addition to the above funding, the Federal and Provincial governments have also recently made an announcement regarding application based funding that will be made available in 2019 including:

- Public Transit \$20.8 billion
- Rural and Northern \$500 million
- Green \$7 billion
- Community, Culture and Recreation \$1 billion

The Public Transit infrastructure funding is focused on public transit systems outside of the Greater Toronto and Hamilton Area (GTHA). More information on this initiative will be made available in early April.

The Rural and Northern fund is available for municipalities with a population of less than 100,000. The funding model will require a municipal share of 17% with the balance being funding from the other two levels. The focus of this fund will be to assist with roads and bridges, air and marine infrastructure. Applications are being accepted until May 14, 2019.

Announcements on the Green infrastructure fund, and the Community, Culture and Recreation fund are anticipated later this year. Staff will provide an update, as appropriate, when further information is known.

Rationale:

The City is currently undertaking a review of its long range financial plan. Where the initial plan was more heavily focused on capital projects, the update will include a comprehensive review of all aspects of the City's finances. The updated plan is anticipated to be presented to Council in June.

As there is no time restriction for spending the Federal Gas Tax funding (\pm \$4.66 million), the Provincial funding (\$725,000), or the Cannabis funding (\$225,061) it is recommended that the funds be placed into reserves for now.

In preparing the update to the long range financial plan, staff will give consideration to these funds and make recommendations to Council on how best to maximize this one-time infusion of funding.

The City's OMPF funding of over \$7 million is entirely used to offset operations. Without this funding, the City would see an immediate increase to the tax levy in excess of 5%. The reduction to the OMPF budget and the increase in funding from the Province will result in a surplus in the 2019 budget. As the future of this funding remains uncertain, it is recommended that the approximate \$400,000 surplus be transferred to the Contingency Reserve specifically for the purpose of mitigating any future tax impacts resulting from a decrease in OMPF funding.

Other Alternatives Considered:

Council could opt to allocate the funding immediately to eligible capital programs.

Financial/Operation Impacts:

The City's has a Long Range Financial Plan which sets out the expected financial impacts of aligning future operating and capital budgets with the

municipal service levels established by Council and/or legislation. This one-time infusion of funding will assist the City's in meeting these objectives.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

This section is completed outlining how the initiative, recommendation(s), and/or action within the Report contributes to the Council Adopted Strategic Plan. It can identify one of the Goals, namely:

- Goal 1 – A Vibrant and Growing Economy
- Goal 2 – An Exceptional Quality of Life
- Goal 3 – A Healthy Environment

Consultations:

Senior Management Team
Treasurer

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