



BRIEFING NOTE

Ontario Municipal Partnership Fund

Date: February 16, 2006

ISSUE:

In Eastern Ontario, the net loss to Counties by 2010 will be \$17,125,728 while their lower tier municipalities will see a total increase of \$10,154,633. The net reduction in provincial transfers to the EOWC region after the completion of the phase in period is \$6,575,196 (\$6,029,014 if you net out separated municipalities).

The problem is that revenues from the province to support critical County services will be cut by \$17.1 million. The loss of provincial transfers to counties means tax increases to the property taxpayer.

PROPOSED RESPONSE:

The EOWC continues to be very concerned about a significant (\$17.1 million) loss of provincial revenues which help pay for upper tier services. The fact that OMPF gives lower tier municipalities \$10.1 million more does not mean county levies will be mitigated accordingly. Lower tier municipalities require the \$10.1 million manage the cost of their services and infrastructure needs.

There is only one property taxpayer and he/she will have to bear the brunt of a loss of revenues at the County.

BACKGROUND:

1. The new 2006 allocation and formula has changed the net impacts after phase-in (in 2010), for both the lower and upper tier. Counties will lose \$17.1 million and lower tier municipalities will receive an additional \$10,154,633 down \$3,604,043 from last year's projections of \$14,154,633.

The net loss when upper and lower tier are combined grows \$6,575,196 from \$3,834,785 last year.

2. The 2006 Provincial allocation for OMPF increased province-wide by some \$51 million. In 2005 the allocation was \$656 million in fact is less than the 2004 CRF reconciled costs for Ontario's municipalities.
3. The total funding allocation of \$707 million dictated the parameters of the OMPF program. This is a major flaw. The true costs incurred by municipalities to fund provincially mandated programs in health care, income redistribution and broader social service programs should have been the starting point of a true "partnership" funding arrangement and in turn used to establish the parameters of the various components of the program.
4. The financial impacts for municipalities facing reductions through OMPF are not sustainable or realistic. The further distancing of provincial financial support from the actual costs for downloaded provincial services will force property taxpayers to continue to make up the difference.

Through the EOWC's Future Directions study and its annual updates, it has been determined that the deficit from Local Services Realignment after reconciliation has grown from \$1.2 million in 2002 to \$8.3 million in 2004. This deficit was estimated to increase substantially in 2005.

5. Reallocation of provincial funding support for municipalities in the name of fairness hits counties with major shortfalls and fails to recognize the gradual migration of ever-increasing service costs to property taxpayers over the past five years. There is no evidence to support that these costs will not continue to increase at levels well beyond normal rates of inflation in future years.
6. The property tax levies for the counties of the EOWC have increased by an average of more than 27% since 2002, and in 2005, a non-assessment year, increased by 10%. In 2005, there is an estimated shortfall of \$19.5 million in provincial funding support for the LSR services and the total OMPF annual deficit at maturity will be approximately \$35 million for EOWC counties.
7. The OMPF is only a band-aid, a partial measure that does not recognize the fundamental inadequacy of the property tax base to finance provincial programs by municipalities.

The provincial/municipal fiscal gap for social and health services is estimated by AMO and independent sources such as Professor Harry Kitchen of Trent University, to be \$3 billion and growing.

The Provincial Government must address the fundamental problem of financing social services, housing and health care through property taxation.

8. The provincial/municipal fiscal arrangements for all of the LSR services require a detailed review. There is a widening gap between costs and provincial funding for ambulance service. The shortfall for EOWC Municipalities was roughly \$7.9 million in 2004. This deficit is expected to continue to grow in subsequent years. The burden of downloaded highways has added substantially to the infrastructure-funding crisis confronting Ontario's municipalities, particularly in Eastern Ontario that received 40% of the total transfer. The capital costs to sustain our current social housing facilities and meet the demand for new ones cannot be borne by property taxpayers.
9. The Equalization Grant component of the OMPF gives special consideration for farmland and managed forests, but does not make any allowance for Crown Lands.

There are over two million acres of unpatented Crown Lands in Eastern Ontario and the Equalization Grant component of the OMPF should recognize this.

10. Based upon our current understanding of the Social Programs component of the OMPF, there is little incentive for municipalities to work towards lower Ontario Works caseloads. In many cases, all savings realized from achieving reduced caseloads are 100% provincial savings. There is no financial benefit for the municipality.
11. Based upon our understanding of the Social Services components of the OMPF program, the municipal costs related to social services will continue to grow at rates higher than inflation due to escalating property taxes within the jurisdiction.
13. Municipalities require a more sustainable, predictable financial framework within which to provide important community services. The EOWC has supported the efforts of Premier McGuinty to achieve a fairer fiscal arrangement with the Federal Government. In turn, there is an expectation that the provincial government will work with Ontario municipalities and AMO to develop a plan that will close the Provincial-Municipal fiscal gap and place municipalities on a sound financial footing.

See attached Summary Chart:

EASTERN ONTARIO WARDENS' CAUCUS
2006 OMPF IMPACT ANALYSIS
SUMMARY BY MUNICIPALITY

	2004 CRF PAYMENTS	2004 CRF RECONCILIATION	2004 TOTAL CRF	2006 TOTAL OMPF	CHANGE FROM 2004 TOTAL CRF	2006 PHASE IN & SPEC. ASSTNCE. INC(DEC)	2006 NET IMPACT AFTER PHASE IN	2005 NET IMPACT AFTER PHASE IN	CHANGE IN OMPF FROM 2005 AFTER PHASE IN
UPPER TIERS									
Frontenac County	0	0	0	0	0	0	0	0	0
Haliburton County									
Hastings County	3,602,000	323,000	3,925,000	3,602,000	-323,000	-3,393,685	-3,716,685	-3,713,836	-2,849
City of Kawartha Lakes	2,605,000	1,120,000	3,725,000	4,020,802	295,802	0	295,802	266,137	29,665
Lanark County	3,032,000	0	3,032,000	6,636,779	3,604,779	546,454	4,151,233	2,781,561	1,369,672
United Counties of Leeds and Grenville	2,946,000	359,000	3,305,000	2,946,000	-359,000	-2,157,279	-2,516,279	-2,570,140	53,861
Lennox & Addington County	3,323,000	789,000	4,112,000	3,323,000	-789,000	-1,818,819	-2,605,819	-2,605,819	0
Northumberland County	1,853,000	759,000	2,612,000	2,191,666	-420,334	-2,742	-423,076	-420,334	-2,742
Peterborough County	167,000	0	167,000	167,000	0	-167,000	-167,000	-167,000	0
United Counties of Prescott and Russell	0	0	0	30,163	30,163	-30,163	0	30,163	-30,163
Prince Edward County	5,525,000	743,000	6,268,000	5,525,000	-743,000	-384,375	-1,127,375	-1,252,065	124,690
Renfrew County	4,716,000	978,000	5,694,000	5,356,587	-337,413	-857,558	-1,194,971	-337,414	-857,557
United Counties of Stormont, Dundas and Glengary	4,829,000	1,200,000	6,029,000	4,829,000	-1,200,000	-3,216,070	-4,416,070	-4,489,448	73,378
Grand Total of Upper Tiers	10,172,000	309,000	10,481,000	10,172,000	-309,000	-5,096,546	-5,405,546	-5,511,223	105,677
	42,770,000	6,580,000	49,350,000	48,799,997	-550,003	-16,575,783	-17,125,786	-17,989,418	863,632
LOWER TIERS									
Frontenac County	1,611,000	746,000	2,357,000	3,160,141	803,141	2,071,028	2,874,169	4,078,754	-1,204,585
Haliburton County	2,124,000	85,000	2,209,000	3,614,027	1,405,027	433,297	1,838,324	2,466,223	-627,899
Hastings County	8,083,000	391,000	8,474,000	9,855,833	1,381,833	1,725,661	3,107,494	3,590,741	-483,247
City of Kawartha Lakes	0	0	0	0	0	0	0	0	0
Lanark County	5,602,000	172,000	5,774,000	6,647,425	873,425	-80,025	793,400	1,219,517	-426,117
United Counties of Leeds and Grenville	7,538,000	636,000	8,174,000	8,460,072	286,072	-1,377,570	-1,091,498	-871,538	-219,960
Lennox & Addington County	4,879,000	251,000	5,130,000	5,746,175	616,175	210,825	827,000	868,049	-41,049
Northumberland County	4,176,000	1,018,000	5,194,000	6,025,788	831,788	293,832	1,125,620	1,095,545	30,075
Peterborough County	2,533,000	945,000	3,478,000	4,977,638	1,499,638	1,275,778	2,775,418	3,347,206	-571,790
United Counties of Prescott and Russell	10,375,000	1,370,000	11,745,000	11,850,825	105,825	-2,426,830	-2,321,005	-1,945,649	-375,356
Prince Edward County	0	0	0	0	0	0	0	0	0
Renfrew County	10,564,000	671,000	11,235,000	12,684,987	1,449,987	-381,250	1,068,737	1,301,569	-232,832
United Counties of Stormont, Dundas and Glengary	7,391,000	366,000	7,757,000	8,018,702	261,702	-708,768	-447,067	-995,784	548,717
Grand Total of Lower Tiers	64,876,000	6,651,000	71,527,000	81,041,613	9,514,613	1,035,977	10,550,590	14,154,633	-3,604,413
Grand Total of Upper & Lower Tiers	107,646,000	13,231,000	120,877,000	129,841,610	8,964,610	-15,539,806	-6,575,196	-3,834,785	-2,740,411
SEPARATED MUNICIPALITIES									
City of Kingston (Frontenac County)	6,559,000	1,693,000	8,252,000	6,559,000	-1,693,000	-2,709,611	-4,402,611	-4,161,227	-241,384
City of Belleville (Hastings County)	5,401,000	969,000	6,370,000	5,877,036	-492,964	-818,765	-1,311,729	-969,000	-342,729
City of Quinte West (Hastings County)	2,704,000	1,700,000	4,404,000	4,696,853	292,853	6,661	299,514	-42,313	341,827
Town of Smiths Falls (Lanark County)	1,654,000	239,000	1,893,000	2,279,510	386,510	2,299,815	2,686,325	2,650,519	35,806
Town of Gananoque (Leeds & Grenville)	457,000	93,000	550,000	778,148	228,148	547,215	775,363	733,310	42,053
Town of Prescott (Leeds & Grenville)	642,000	26,000	668,000	928,492	260,492	651,926	912,418	899,333	13,085
City of Brockville (Leeds & Grenville)	2,861,000	152,000	3,013,000	2,861,000	-152,000	-1,927,127	-2,079,127	-1,763,774	-325,353
City of Peterborough (Peterborough County)	5,142,000	1,465,000	6,607,000	6,361,469	-245,531	-1,191,848	-1,437,379	-1,155,188	-282,191
City of Pembroke (Renfrew County)	3,501,000	179,000	3,680,000	4,108,674	428,674	0	428,674	39,514	389,160
City of Cornwall (Stormont, Dundas & Glengary)	9,010,000	1,450,000	10,460,000	11,900,584	1,440,584	3,234,750	4,675,334	3,162,580	1,512,754
Grand Total of Separated Municipalities	37,931,000	7,966,000	45,897,000	46,350,766	453,766	93,016	546,782	-596,246	1,143,028