
Subject: Levy Impact of Mandated Services Provided Under Provincial and Federal Agreements

Report To: Budget Review Committee of the Whole

Report date: Thursday, July 25, 2024

Recommendations

1. That this report **BE RECEIVED** for information.

Key Facts

- The purpose of this report is to inform Council of the financial impact on the 2024 general tax levy for mandated services provided under Provincial and Federal funding agreements.
- Each of these services have a funding agreement that outlines funding expectations for both the Provincial and Federal Governments, and the Niagara Region. The Niagara Region pays for its share of the services largely through the general tax levy (property taxes) and has exceeded the amount required per the agreements.
- While the Region is the provider of these services through our Public Health and Community Services departments, historically the responsibility for these services rests with the province or federal government. As the social and health needs of the community have evolved and funding has not kept pace with inflationary pressures, various decisions were made to maintain or increase services beyond funding agreements.
- Staff work diligently to maintain the cost of existing services within the funding agreement while meeting the community needs. There is an increased risk to being able to deliver these services at the same level going forward if annual funding increases do not align with required budget increases. There is limited ability to continue to maintain existing services service levels without increasing funding from the general tax levy.
- Bill 23, Building More Homes Faster implemented changes that resulted in the Region adding \$8.0 million to the general tax levy. For the purposes of this report, we have referenced this as a download.
- The 2024 General Tax Levy was approved at \$483 million of which \$54.4 million or 11.3% relates to Provincial and Federal Funded programs for mandatory services and Provincial downloading.

Financial Considerations

The Provincial and Federal governments direct Niagara Region through legislation and funding agreements to deliver specific services. A large portion of these services are deemed mandatory for the Niagara Region to deliver. Each of the funding agreements differ in the percentage of the services being funded by the Province or Federal government as well as the amount required to be funded by the General Tax Levy. Additionally, some agreements exclude consideration for current capital costs or indirect support costs required when establishing the funding formula.

The cost to delivery these services often increase at a higher pace than the incremental funding provided. To deliver the services while limiting the impact on the general tax levy, staff review and implement ways to deliver services more efficiently with the goal of aligning costs to the funding agreement. As each year goes by, the risk of being able to maintain these services at the current level with the current levy funding gets more difficult without a reduction to services (largely as a result of needing to decrease staffing levels).

The 2024 budget included approximately \$46.4 million in funding from the General Tax Levy, over and above what is required per our funding agreements to fund mandated Provincial and Federal services. Appendix 1 provides details by service, including funding agreement formulas.

Analysis

This report is focused on the financial impacts associated with mandatory services that have funding agreements with provincial and federal governments. Based on the service sustainability review done by KPMG we use the following categories to disclose the basis of service delivery for each of our services.

- **Mandatory Services** - Services that are required to be delivered by regulation or legislation.
- **Essential Services** - Services that, while not mandatory, are required to be delivered in order to ensure public health and safety and/or the effective functioning the Region as a corporate body.
- **Traditional Services** – Non mandatory, nonessential services that are typically delivered by municipalities of comparable size and complexity and for which a public expectation exists that the service will be provided.

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- Discretionary Services - Services that are delivered at the direction of the Region, a formal requirement or expectation, including services that may not be delivered by other municipalities of comparable size and complexity.

Appendix 1 outlines the various mandatory services with funding agreements that result in incremental levy funding of \$46.4 million in public health and community services.

Appendix 1 also outlines the pressure resulting from provincial download of \$8 million as result of the introduction of Bill 23, More Homes Built Faster Act, 2022. This bill required the Region of Niagara to phase-in our 2022 development charge rates over a five-year period. As we are required to fund the development charge reserve funds for this lost revenue, \$7M was added to the General Tax Levy in 2024. In addition, Bill 23 also mandated that the Region exempt Development Charges for rental units, which was estimated at \$1M, which was also added to the General Tax Levy.

Bill 185, Cutting Red Tape to Build Homes Faster Act, 2024, which received royal assent on June 6, 2024, removed the phase in requirement for development charges. As a result, staff expect to be able to remove the pressure from this downloading in the 2025 budget being drafted.

In addition to the mandatory services with funding agreements outlined in this report, there are other services that are funded through property taxes that are not deemed to be mandatory but rather essential, traditional, or discretionary which have been excluded in this analysis. Examples of these items which traditionally fall under provincial and federal mandates include hospitals, mental health, university support and NG911 migration to provincial platform. Additionally, homelessness supportive and bridge housing operations, which have seen levy investments that exceed mandatory requirements, are classified as traditional services per the definitions above and are excluded from this analysis.

The information in this report will be used in a briefing note for a requested delegation with the Ministry of Finance during this years AMO conference that will focus on our support for AMO's social and economic prosperity review.

Alternatives Reviewed

This report was prepared for information purposes, no other alternatives were considered.

Relationship to Council Strategic Priorities

This report aligns with Effective Region, delivery of fiscally responsible and sustainable core services.

Other Pertinent Reports

[PHD 13-2022 Impacts of Funding Shortfalls by the Provincial Government on Public Health and Emergency Services and Resulting Pressure on the Regional Levy for Adequate Service Delivery](#)

<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=1b60c77e-39af-4096-bb2e-d3f930df8d80&Agenda=Merged&lang=English&Item=12&Tab=attachments>

[PDS 22-2024 Bill 185 update \(Cutting Red Tape to Build Homes Faster Act, 2024\)](#)

<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=1018ecdf-0b7e-476b-a03f-955134c276e9&Agenda=Merged&lang=English&Item=32&Tab=attachments>

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Appendices

Appendix 1 2024 Levy Funding for Mandated Services Provided Under Provincial and Federal Agreements

Appendix 1 - 2024 Levy Funding for Mandated Services Provided Under Provincial and Federal Agreements
(in millions)

Dept	Funding Body (note 1)	Name of Service	Funding Agreement Formula (note 2)	2024 Expenditure Budget (note 3) (\$)	2024 Subsidy Funding Budget (\$)	2024 Subsidy Funding Budget (%)	2024 Levy Funding per Agreement (\$)	2024 Levy Funding Approved (\$)	2024 Incremental Levy Funding (\$)	2024 Incremental Levy Funding (%)
				(A)	(B)	(C) = (B)/(A)	(D)	(E)	(F) = (E) - (D)	(G) = (F)/(A)
Public Health	MOH	Public Health-Mandatory	Set Amount by Ministry (Based off 75% Ministry Funded/25% General Tax Levy from 2020 levels)	40.3	24.8	62%	9.6	15.5	5.9	15%
Community Services	MCCS	SAEO - Service Delivery	Service delivery 100% Ministry funded for first \$3.6 million + 50% funded for remainder (Capped based off 2018 levels)	30.0	15.5	52%	13.2	14.5	1.3	4%
Community Services	MCCS	SAEO - Discretionary Client Benefits	Discretionary Client benefits capped at \$10 per actual caseload per month	4.7	3.5	74%	-	1.2	1.2	26%

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				(A)	(B)	(C) = (B)/(A)	(D)	(E)	(F) = (E) - (D)	(G) = (F)/(A)
Community Services	MMAH/Federal	Homelessness Prevention Plan (MMAH) / Reaching Home (Federal)	Set Amount by Ministry & Federally Funded/ Remainder General Tax Levy	25.0	22.5	90%	-	2.5	2.5	10%
Community Services	MEDU	Children's Services (note 4)	Combination of 100% Ministry Funded and 80% Ministry Funded/20% General Tax Levy	124.2	114.7	92%	6.1	9.5	3.4	3%
Community Services	MOHLTC	Long-Term Care (note 5)	Set Amount Ministry Funded based on per diem/bed/ Remainder is General Tax Levy	149.5	120.6	81%	-	28.9	28.9	19%
Public Health	MOH	EMS Land Ambulance	50% Ministry Funded based on the Prior-Year Council Approved Budget	62.5	30.3	48%	31.2	32.2	1.0	2%

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Public Health	MOH	Offload Nursing	100% Ministry Funded	0.5	0.5	100%	-	-	-	0%
Public Health	MOH	EMS Community Paramedicine	100% Ministry Funded	0.3	0.3	100%		-	-	0%
Public Health	MOHLTC	EMS Community Paramedicine LTC	100% Ministry Funded	3.1	2.9	94%	-	0.2	0.2	6%
Public Health	MOH	EMS Communications (Dispatch)	100% Ministry Funded	9.0	7.3	81%	-	1.7	1.7	19%
Public Health	MCCS	Healthy Babies, Healthy Children	100% Ministry Funded	2.6	2.4	92%	-	0.2	0.2	8%
Public Health	MCCS	Infant and Child Development Services	100% Ministry Funded	0.6	0.5	83%	-	0.1	0.1	17%
		Mandated Services Provided Under Provincial and Federal Agreements		452.3	345.8	76%	60.1	106.5	46.4	10%

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General Government	N/A	Bill 23 Impacts (Development Charge Phase-In) (note 6)		7.0	-	0%	-	7.0	7.0	100%
General Government	N/A	Bill 23 Impacts (Development Charge Rental Discounts) (note 6)		1.0	-	0%	-	1.0	1.0	100%
		Downloading		8.0	-	0%	-	8.0	8.0	100%
		Total Levy Funding		460.3	345.8	75%	60.1	114.5	54.4	12%

(note 1) Ministry of Health (MOH)/Ministry of Children, Community and Social Services (MCCS)/Ministry of Municipal Affairs and Housing (MMAH)/Ministry of Long-Term Care (MOHLTC)/Ministry of Education (MEDU)

(note 2) Most funding agreements exclude consideration for current capital costs or indirect support costs in their funding formula. EMS Land Ambulance funding formula includes capital amortization and indirect support costs. Public Health Mandatory and SAEO Service Delivery funding formula includes indirect support costs.

(note 3) Net of transfer from reserves and other non-Ministry/Federal revenues. Includes indirect allocations and capital financing costs.

(note 4) Includes directly operated childcare operations

(note 5) Includes all 8 Long-Term Care Homes per KPMG service sustainability review

(note 6) As a result of Bill 23, More Homes Built Faster Act, 2022