REPORT FOR ACTION

Impact of Provincial Announcement on City's 2019 Budget and 2020 Budget Process

Date: June 4, 2019
To: Executive Committee
From: City Manager
Wards: All

SUMMARY

This report provides City Council with an update on the impact of the Province of Ontario's May 27, 2019 announcement to reverse the April 1, 2019 retroactivity of the provincial program and funding changes for child care, public health and land ambulance on the City's 2019 Budget and 2020 Budget process.

The City's 2019 Operating Budget reflects the 2019 provincial funding being maintained on the basis of existing cost-sharing formulas, current services and service levels, as approved by City Council on March 7, 2019. Accordingly, 2019 tax bill mailings will be processed by the tax due dates established by By-law 392-2019.

Work is underway to replace the $24 million in 2019 and the $585 million incorporated in the 10-year Capital Plan of the planned increase in provincial gas tax as there is no change to the Provincial Gas Tax increment cancellation.

With fiscal sustainability as a key priority, and in preparation for the 2020 Budget process, the City will be undertaking two major streams of activity:

- Participate in provincial/municipal program specific tables

- Undertake a value based outcome review for all City Operations in the upcoming months. This report recommends to City Council that this review be extended to City agencies. The City will be applying to the provincial Audit and Accountability Fund, established for large municipalities find efficiencies, to assist in funding the City's review.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council direct City Agencies to participate in the Value Based Outcome Review to be led by the City Manager and Chief Financial Officer and Treasurer in preparation for the 2020 Budget process.

FINANCIAL IMPACT

The Province has established a $7.35 million Audit and Accountability Fund to help large municipalities find four cents on the dollar and $200 million for small and rural municipalities to modernize services.

The Chief Financial Officer and Treasurer will continue to monitor allocation of the Audit and Accountability Fund to understand any opportunity for City with respect to its own detailed review of financial sustainability.

DECISION HISTORY

Council's decisions regarding impacts of the 2019 Government of Ontario Budget is found in Attachment 1.

COMMENTS

Mayor Tory and City Councillors campaigned to inform the public, provincial and municipal leaders, including members of the Large Urban Mayors Caucus of Ontario (LUMCO) on the impacts of the Government of Ontario's proposed funding changes and their retroactive application to April 1, 2019.

In response to the concerns of municipal partners, Premier Ford announced the Provincial government's decision to reverse the April 1, 2019 retroactivity and maintain the in-year cost sharing for land ambulance, public health and child care services but no change to the Provincial Gas Tax increment cancellation.

By staying the proposed retroactivity for 2019, the Premier indicated this will provide municipalities with the additional time to work with the Government of Ontario to find efficiencies. To assist with this effort, the Province has established a $7.35 million Audit and Accountability Fund to help large municipalities find four cents on the dollar and $200 million for small and rural municipalities to modernize services. A number of municipalities have recently started while some have completed their expenditure reviews.

Impact of 2019 Ontario Budget and Legislation on the City of Toronto

Additional details on the impact of the Government of Ontario's 2019 Budget can be found in Attachment 2.

Impact of Provincial Announcement for the City's 2019 Budget and 2020 Budget Process

2019 Operating and Capital Budgets

There is no impact on the 2019 Operating budget. The reversal of the funding loss for 2019 for child care, public health and land ambulance means the City's 2019 Operating Budget remains intact, with 2019 provincial funding maintained based on the existing cost-sharing formulas along with current services and service levels, as approved by City Council on March 7, 2019.

The 2019 Operating Budget included a $10 million savings target. The $10 million in City Operations savings has already been realized as of April 30, 2019. The savings will be reported on in the 2019 Four-month variance report which will be presented to Budget Committee in June 2019.

Given that the incremental Provincial Gas Tax cancellation was not reversed, there is still a need to address the shortfall in TTC's 2019 Capital Budget of $24 million and a total $585 million in its 10-year Capital Plan. Work is underway to review options and staff will be reporting back on a funding strategy.

2019 Property Tax Bill Mailing

The Provincial announcement reversing the implementation of many of the previously announced funding changes for 2019 means that tax bills will be processed by the tax due dates established by By-law 392-2019. Any potential changes to due dates are not required. This report therefore confirms the tax due dates established by By-law 392-2019 as the final 2019 tax due dates, as follows:

i. Regular instalment dates as July 2, August 1 and September 3, 2019;
ii. For taxpayers enrolled in the monthly pre-authorized property tax payment program, instalment dates as July 15, August 15, September 16, October 15, November 15 and December 16, 2019; and
iii. For taxpayers enrolled in the two installment program, the final instalment date as July 2, 2019.

The tax bills are in the process of being mailed at the time of writing of this report so as to provide the legislated 21 days before the tax due dates.

The City's Response to Fiscal Challenges

The Provincial announcement made by the Premier indicates that there will be potential funding changes for 2020. The City must be prepared to address potential fiscal challenges that may arise from provincial program and funding changes as well as proposed legislative changes for 2020 and beyond.

City expenses have been constrained over the last decade. When adjusted for inflation, the City spends about $205 less per resident than it did ten years ago. Year-over-year, the total nominal budget does increase. This is predominantly driven by city growth and inflation required to deliver the same level of service, along with some incremental new investments for services to residents and businesses. Net expenses related to two broad service areas – transit and emergency services – account for approximately 87% of the expenditure increase paid for by the property tax levy since 2009.

Attachment 3 provides a historical overview of the underlying conditions of the City's finances by reviewing its financial challenges, expenditures, balancing strategies, and provincial service realignments to date.

Preparing for the 2020 Budget Process

Toronto's success as a growing international city has been paired with significant challenges, such as increased traffic congestion, affordable housing, and income inequality. Previous periods of underinvestment and provincial downloading of services and costs have exacerbated these challenges.

State-of-good-repair costs and new infrastructure needed for a growing city continue to put pressure on the City's capital budget. Despite increased investment, the City's state-of-good-repair backlog is expected to grow to $9.5 billion by 2028. Capital requirements resulting from population growth and demographic changes will continue to add additional financial pressures in the future.

City Council and staff must make the City's financial sustainability its first priority. In doing so, two major streams of activity are planned, as described below:

- Provincial/Municipal Collaboration

The Provincial government, in collaboration with municipalities, will be establishing a number of program-specific "tables" to begin discussions on matters of mutual provincial and municipal interest concerning the reduction of program funding, looking to partner on transforming critical shared public services and identify efficiencies and other opportunities.

- Value Based Outcome Review

In keeping with the City's practice of prudent fiscal management, the City Manager will be undertaking a value based outcome review for all City Operations in the following months with the assistance of third party expertise.

This review process will examine:

- service relevance and their intended outcomes;
- service delivery, modernization and efficiency opportunities; and,
- expenditure and revenue sustainability;

The objective is to identify savings opportunities over the next 3 years that can be recommended to the City Manager for inclusion and implementation beginning with the 2020 Budget process. This work will support the introduction of multi-year planning as part of the City's implementation of multi-year service-based budgeting.

It is recommended that this review process extend to City agencies as a whole of government undertaking and that City Council direct City agencies participate in this process. The City Manager will be applying to the Province through its Audit and Accountability Fund to assist in funding this initiative.

In addition, the City will implement a Corporate Asset Management Initiative.

Staff have developed a corporate asset management policy and framework which will be also be considered by Executive Committee at its meeting of June 6, 2019.

The policy, which applies to all City Programs, Agencies (except the Toronto Parking Authority) and the Toronto Community Housing Corporation, incorporates key principles and strategic directions that will enhance asset management practices and ensure that asset management activities are continuously improved and integrated across the organization.

This new corporate asset management policy and framework will:

- Ensure the City meets its legislative requirements with Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure.
- Provide a foundation that will support an integrated approach at the City as it develops and matures its asset management practice.
- Enable the City to optimize asset life-cycle costs while achieving defined levels of service, continually seek opportunities for improving efficiencies in operations, maintenance and asset renewal practices,
- Ensure existing and future asset needs are prioritized, and
- Link infrastructure investment decisions to service outcomes.

The long-term outcome is to ensure the sustainability of assets and related services; optimize infrastructure investment decisions; and support reliable service delivery.

Impact of Bill 108 on the 10-year Capital Plan

While the City's focus has been placed on the specific fiscal challenges associated with the loss of funding the City must address for child care, public health and land ambulance services, there are other anticipated funding impacts that may also impact the City in areas where the Province has signalled, through its 2019 Budget or legislation, that may have financial implications for the City but which are not yet known.

Of particular significance, is Bill 108 More Homes, More Choice Act, 2019, an omnibus bill intended to implement the Province's Ontario Housing Supply Action Plan. The Bill proposes a series of changes to the Development Charges Act and the Planning Act that would, if passed, have implications for the City's finances, including:

- Replacing Section 37, Development Charges for soft costs, and Parkland Dedication
- Timing of Development Charges funding

Contextually, Development Charges account for over $3 billion or 7.5% of the City's Tax and Rate supported 2019 – 2028 Capital Plan's funding. This is based on the existing available and projected revenue eligibility before the proposed Bill 108. The projected $3 billion in Development Charges funding incorporated into the City's 10 year Capital Plan, together with other sources of funding such as debt, federal and provincial subsidies, and reserves, is planned to fund $15 billion in capital projects.

A detailed analysis is required once the regulations become available, to assess the impact by project. In the meantime, as part of the 2020 Budget process, the City will recalibrate the new 10 year Capital Plan accordingly based on spending capacity, commitments, priority, as well as debt affordability, considering that any reduced or delay Development Charges revenue may have to be replaced by debt borrowing or planned projects may have to be revisited.

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SIGNATURE

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ATTACHMENTS

Attachment 1 – Council's Decision Regarding Impacts of the 2019 Government of Ontario Budget
Attachment 2 – Impact of 2019 Ontario Budget and Legislation on the City of Toronto
Attachment 3 – Historical Overview of City Finances and Financial Management

Attachment 1 – Council's Decision Regarding Impacts of the 2019 Government of Ontario Budget

On April 16, 2019, City Council adopted HL5.1 Consideration of the 2019 Provincial Budget, which affirmed City Council's support for Toronto Public Health and requested that the Province maintain the current 75 percent provincial, 25 percent municipal funding formula for Toronto Public Health, and public health programs in Ontario.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.HL5.1

At its meeting of May 6, 2019, the Toronto Board of Health recommended that City Council express its strong opposition to the proposed funding cuts to Toronto Public Health by the provincial government; call on the Province of Ontario to reverse the proposed funding cuts to Toronto Public Health; and directed the City Manager, in consultation with the Medical Officer of Health, to utilize City advertising locations to inform Torontonians of the health risks if the proposed funding cuts to Toronto Public Health proceed.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.HL6.1

At its meeting of May 14, 2019, City Council adopted MM7.13 from Mayor Tory recommending consideration of the report 2019 Ontario Budget and Legislation Update from the City Manager which provided an overview of direct impacts to the City resulting from the Provincial program and funding changes announced to date arising from the Province of Ontario’s 2019 Budget, as well as anticipated and indirect funding and legislative changes that may have future implications for the City.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM7.13

Council adopted the following actions:

1. City Council request the Province of Ontario to reverse the $177.65 million in unilateral, retroactive cuts to the City of Toronto’s 2019 Budget.

2. City Council convey its willingness to meet with the Province of Ontario to discuss both governments’ budgets and the impact of retroactive, in-year cuts to the residents of Toronto.

3. City Council direct the City Manager to report to the June 6, 2019, or the July 4, 2019 Executive Committee meeting or to a special Executive Committee meeting called by the Mayor prior to the July 16 and 17 City Council meeting, on service cuts and tax changes that may be required to balance the 2019 Operating Budget, as a result of the retroactive cuts imposed by the Province, including the gender and equity impacts of any such changes.

4. City Council direct the City Manager to report to the June 6, 2019, or the July 4, 2019 Executive Committee meeting or a special Executive Committee meeting called by the Mayor prior to the July 16 and 17 City Council meeting, on the following topics:

a. economic impacts to the City of Toronto of affordable and accessible child care;
b. the potential impact on child care fees for all programs with purchase of service agreements and those centres receiving fee stabilization and general operating grants;
c. potential economic loss to the City of Toronto as a result of an epidemic;
d. economic impact of tourism to the City and the provincial economy; and,
e. the net in-and-out flows of tax dollars from the City of Toronto to the Province and visa-versa.

5. City Council request the Chair, Budget Committee, in consultation with the City Manager and the City Clerk, to convene Budget Committee or Budget Subcommittee meetings to allow the public to speak on the proposed provincial cuts and their impact on the City of Toronto's Budget, as necessary.

6. City Council direct the General Manager, Children's Services to inform parents on the wait list for subsidies and all parents with children at a City-run or service-contracted child care centre with the City of the impact of the proposed provincial budget cuts and to inform those parents that child care subsidies are now being evaluated and may be at risk.

7. City Council direct the City Manager to inform and educate the public regarding the nature of impact of the proposed budget cuts through, but not limited to, the following methods:

   a. posting notice at the entrances of all City-owned publicly accessible buildings;
   b. advertising on all Astral contracted public advertising space, up to a maximum amount allowable under the contract for City advertising; and,
   c. using the City's social media accounts.

8. City Council direct the City Manager to distribute City Council's decision to all 57 Municipal Councils and Child Care System Managers across Ontario.

9. City Council request the City Solicitor to report back to the Executive Committee, in conjunction with the City Manager's report, on whether any of the provincial funding cuts to Toronto Public Health would violate the Canada Health Act, and on what measures the City of Toronto can take, if, in fact, the Canada Health Act is violated.

At the same meeting, City Council also considered MM7.25 Technical Amendment regarding By-Law 394-2019 to allow City of Toronto staff the flexibility regarding the issuance of tax bills and the requirements for proper public notice and directed that, notwithstanding sections 8, 9 and 10 of By-Law 394-2019, the Chief Financial Officer and Treasurer report to the June or July Executive Committee meeting with recommendations for revised dates for the issuance of tax bills and revised tax due dates for 2019.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.MM7.25

Attachment 2 – Impact of 2019 Ontario Budget and Legislation on the City of Toronto

The Government of Ontario's 2019 Budget that indicated a number of changes to programs will affect Toronto and Ontario municipalities, but provided limited detail. The City Manager provided a high-level overview of the Budget to the Mayor and City Councillors on April 12, 2019 with subsequent communications issued as City staff became apprised and a report to City Council on May 14, 2019.

It was estimated that the loss in Provincial funding would have a $154 million impact to the 2019 Operating Budget with a corresponding reduction in service; projected to grow incrementally to $224.5 million by 2022. There would also be a $24 million loss in provincial funding in the TTC's 2019 Capital Budget due to the cancellation of the additional 2 cents per litre in gas tax funding, resulting in a loss of $1.1 billion in funding to the City over 10 years, of which $585 million had been applied to TTC's 10-year Capital Plan to help fund its conventional state of good repair program during the 2019 Budget process.

The immediate financial challenge for the City was to address a total **$177.65** million funding loss impact ***in-year***, as outlined below:

- **$24** million from the cancellation of planned Provincial Gas Tax Funding increment
- **$65** million for Toronto Public Health
- **$84.8** million for Children's Services
- **$3.85** million for Toronto Paramedic Services

While the funding and program changes would be significant, the most urgent issue was that these changes would be implemented retroactively to April 1, 2019. This retroactivity would create a direct funding loss in the 2019 Operating and Capital Budgets, given that these changes came after the City's budget and municipal tax levy bylaw were approved by City Council on March 7, 2019 which incorporated current cost-sharing funding agreements and planned funding changes.

In response, City Council:

- Requested the Province of Ontario to reverse the $177.65 million in unilateral, retroactive cuts to the City of Toronto’s 2019 Budget.
- Requested the City Manager to report back to Executive Committee on service cuts and tax changes that may be required to balance the 2019 Operating Budget, as a result of the retroactive cuts imposed by the Province.
- Gave City staff the flexibility regarding the issuance of tax bills and the requirements for proper public notice and directed the Chief Financial Officer and Treasurer to report to the June or July Executive Committee meeting with recommendations for revised dates for the issuance of tax bills and revised tax due dates for 2019.

Attachment 3: Historical Overview of City Finances and Financial Management

Toronto's success creates financial challenges

Toronto sits at or near the top of international rankings for quality of life, safety and tax competiveness. These rankings are validated by the rate of incoming investment, sustained population growth of approximately 40,000 people per year on average over the past five years, and that the city is an economic anchor for Ontario and Canada, accounting for about 26% of Ontario's GDP and about 10% of Canada's GDP.

The City of Toronto is also recognized as an important participant in global financial markets. The City has been successful in maintaining strong credit ratings of AA/AA+ from the three credit rating agencies that cover the City of Toronto over the past twenty years. This steady record has been due to a number of noted credit strengths, including a large and diversified economy, a competitive tax burden, and strong liquidity levels.

At the same time, as with most large global cities, Toronto's success is paired with significant challenges that create financial strain, including:

- Transit and transportation systems that are not sufficient/traffic congestion
- Economic and social displacement of residents -- widening gap between rich and poor
- Poverty and homelessness
- Lack of affordable and social housing
- Inadequate mental health services
- Settlement of refugees
- Opioid overdoses
- Climate change
- An aging population
- Impacts of intensification

The City is legally required to balance its budget each year, and has done so annually despite significant financial challenges, including the following:

- Growing risk -- reliance on MLTT and episodic funding from other governments
- Gap between service delivery commitments and revenues -- Council has approved spending without matching revenue.
- Expenses that are rising faster than revenues
- Provincial funding caps on some provincial cost-share programs
- Maintaining affordability for residents by keeping residential property tax increases at or below the rate of inflation

A significant driver of Toronto's financial challenges is the disproportionate need and demand for services compared to the rest of the province and the need for increased government transfers is well founded:

- Toronto provides key transit and social services which -- while borne directly by Toronto taxpayers -- provide enormous regional and national benefit
- Toronto provides 90 percent of the public housing in the GTA and 37 percent of all social housing in the province, well beyond its share of the population or the tax base.
- The TTC carries ~85% of all transit ridership in the GTA and 60% of all transit ridership in Ontario
- 20% of children in Toronto live below the low income cut off, compared to 9% of children in the rest of Ontario.
- Downloading by the Province in the 90s put pressures on Toronto not faced by comparable cities. While the Province uploaded some services, it has left Toronto with responsibility for housing and transit

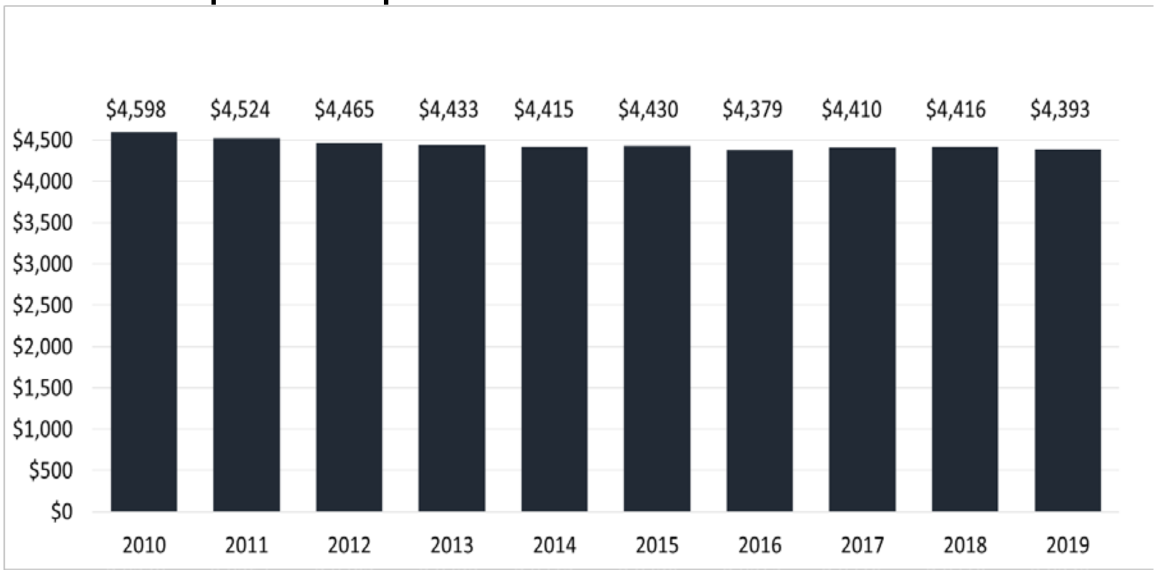
Each year there is a significant budget pressure that needs to be addressed. Staff have used a range of strategies to balance the budget, but many have been used out of necessity and are not sustainable, including draws on reserves, deferring operating costs and capital projects and under-investments in needed services and infrastructure.

Despite significant cost constraint efforts, the City has managed to provide incrementally more services and infrastructure every year in order to respond to growing and diversifying demands.

Circumstances up until recently have been favourable. Closing opening operating budget pressures was made easier as a result of the provincial upload of some social services and court security and strong growth in the Municipal Land Transfer Tax. Likewise a sustained low interest rate environment and large surplus contributions to the Capital Financing Reserve supported the expansion of the City's Capital Budget and Plan. Changing circumstances are likely to make the task of closing large future opening budget pressures more difficult without resorting to large-scale service cuts.

Managing City's Operating Expenditures

Chart 1 - Real Expenditures per Resident - 2010 to 2019

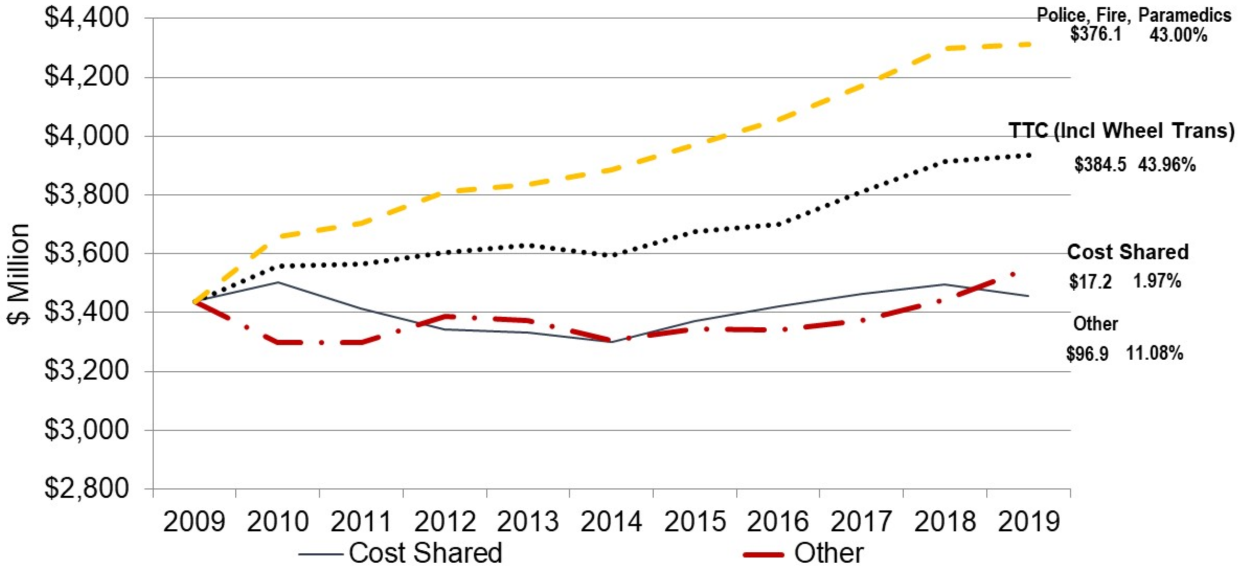


As shown in Chart 1, after adjusting for both inflation and population changes, City expenditures have actually declined steadily since 2010. Municipal services cost about $205 less per resident when compared to 2010, measured in 2019 dollars. A majority of the expense increase is driven by maintaining the same level of service every year (ie. inflationary and labour costs). The remaining pressure is due to Council approved new and enhanced service levels.

On May 30, 2019, The Fraser Institute released a report entitled "Comparing Municipal Finances in the Greater Toronto and Hamilton Area". This report postulated that the City of Toronto's spending per resident had decreased between 2009 and 2016. This inference supports the City's findings in Chart 1.

As depicted in Chart 2, net expenses related to two broad service areas – transit and emergency services – account for approximately 87% of the expenditure increase paid for by the property tax levy since 2009.

Chart 2 - Share of Net Expenditures by Program Type - 2009 to 2019*



*Net Expenditures represents the portion of City Expenses funded by Property Taxes

The Role of the Auditor General's Office

In May 2002, City Council approved an independent Auditor General's Office for the City of Toronto. Under The City of Toronto Act, the Auditor General is responsible for assisting City Council in holding itself and the City administrators accountable for the quality of stewardship over public funds and for achievement of value for money in City Operations. The Auditor General conducts value for money audits and forensic examinations to full this mandate. Since 2014, total one-time and projected five-year cost savings and revenue increases have totalled approximately $304 million. From 2,448 audit findings since its inception, 91% of the recommendations have been implemented and only 60 findings remain outstanding for five years or longer.

Operating Budget Balancing Measures

Key measures used to balance the City's annual operating budget have shifted from reliance on one-time revenue measures to more sustainable measures including new revenues, provincial costs sharing, service efficiencies and line-by-line review savings. The City's use of one-time funding was dramatically reduced from a high of $447 million in 2009 to $15 million in 2019.

In 2011, the City undertook a Core Services Review to assess service levels and find opportunities for savings. The study conducted by KPMG determined that 90% of the city functions were considered "core", meaning that they were required by legislation or essential to the effective functioning of government. The review by KPMG also identified 69 opportunities for Council consideration to eliminate, divest or reduce some services and 119 opportunities to conduct further reviews to achieve future efficiencies. In total, the City had realized approximately $350 million in efficiency related savings since 2010. Some savings were controversial and at least some were partially reversed in subsequent budgets.

Table 1 shows budgeted service efficiencies achieved since 2015. While service efficiencies have been found every year, the chart demonstrates that their magnitude has fallen to a range of $5-28 million annually, compared to in excess of $100 million in 2012. This is due to the fact that most of the service efficiency studies previously recommended have been implemented leaving few opportunities to realize further efficiencies without reducing service levels.

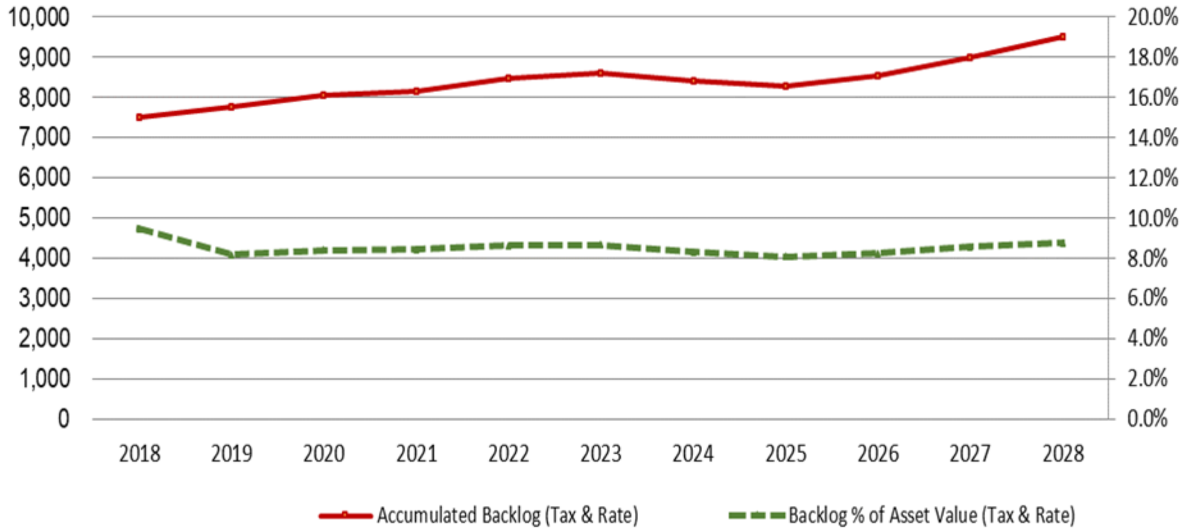
Table 1 - Budgeted Service Efficiencies - 2015 to 2019 (In $ Million)

2015	2016	2017	2018	2019	Total
5	12	24	28	22	91

Capital Budget and Plan

The majority city's key infrastructure is old with much of the city's roadways and water/sewer networks originally built in the 1950s and 1960s. In recognition of the necessity to maintain its assets in a state of good repair, the City has expanded its capital plan from 25.7 billion in 2010 to $40.7 billion in 2019, with SOGR representing about 50% of the overall spending. Despite this investment, the SOGR backlog is expected to continue to grow from approx. $7.8 billion in 2019 (8.2% of asset value) to $9.5 billion by 2028 (8.8% of asset value). The City is currently maturing its asset management practices. More detailed asset audits have shed light on the magnitude of the SOGR work that is required, resulting in an uptick in the SOGR backlog, despite higher capital investments. The F.G. Gardiner Expressway Rehabilitation project, for example, has most recently revealed its needs for repair and has become a large component of Transportation Services 10 Year Capital Plan.

Chart 4 - State of Good Repair Backlog (Tax and Rate Supported)



The City has employed a number of strategies to provide additional funding for its growing capital budget and plan. These include:

- Growing contributions from the operating budget to capital projects by 10% annually to reduce reliance on debt
- The Surplus Management Policy directs 75% of operating surpluses to the Capital Financing Reserve for priority capital projects, and the remaining 25% to other reserve funds or liabilities requiring funding
- The City's Development Charges Bylaw is updated approximately every four years and it establishes rates imposed on land development and redevelopment projects to help pay for the capital costs of infrastructure that is needed to service new development – rates have been steadily increasing with a long-term objective of development charges covering the full cost of development growth
- A portion of MLTT revenues are directed to the capital financing reserve – in 2019 that contribution was $40 million
- Negotiation of intergovernmental funding partnerships such as the Public Transit Infrastructure Fund ("PTIF") Program to provide funding for priority infrastructure projects

The City also relies on provincial and federal gas tax revenues as a funding source for the capital budget and plan.

Capital requirements resulting from population growth and demographic changes will continue to add additional financial pressures in the future. According to the Ontario Population Projections Update, the projected population growth of more than a million people in the City of Toronto, raising the population to 3.9 million people by 2041.

Historical Overview of Provincial Service Realignments

From 1992-1997, the City was faced with significant budget pressures caused by provincial subsidy reductions and initiatives. Prior to amalgamation, the City had already absorbed Provincial subsidy elimination of almost $300 million.

On January 1, 1998, the Province downloaded services to the City, and forced amalgamation. The City was given increased financial responsibility for social housing, social assistance, child care and other provincially-mandated services and transit.

- In 1998 transit operating subsidies in Ontario were eliminated. Prior to 1996, the province funded 50% of the TTC net operating costs and a capital subsidy up to 75% based on eligibility criteria

- Ontario remains the only Province to devolve this social housing responsibility to municipalities. This makes Toronto and other Ontario municipalities unique in terms of the requirement to contribute to the cost of social housing from the municipal tax base

In 2004, the Province introduced the Provincial Gas Tax (PGT) which transfers two cents per litre of provincial gas tax revenues to municipalities to expand and improve their public transit systems. On January 27, 2017, the Province of Ontario announced that the program would be enhanced by doubling the municipal share from 2 cents/litre to 4 cents/litre. In the 2019, however, the Province announced that it would no longer be moving forward with the plan to enhance the PGT by 2 cents/litre. The difference in funding for the City of Toronto amounts $24 million in 2019 and approximately $1.1 billion over ten years.

The October 2008 Provincial-Municipal Fiscal and Service Delivery Review (PMFSDR) consensus agreement committed the Province to upload certain programs. These included Ontario Works benefits (income and employment assistance), Ontario Disability Support Program benefits and the Ontario Drug Benefits Program benefits and administration, as well as the costs of court security (including offender transportation).

Also in 2008, the Province initiated a Pooling Compensation Grant program to compensate the City for the termination of GTA Equalization ("pooling") payments and Ontario Municipal Partnership Fund (OMPF) grants formerly provided to mitigate the disproportionate cost of downloaded housing and social service costs borne by the City. In 2013, the Province announced, however, that it would be discontinuing $115 million in payments that were intended to address the City of Toronto's disproportionate share of social housing and social assistance costs. Measures incorporated by the City to address the shortfall, included:

- deferral of capital contributions from the operating budget in 2015
- Increased debt financing of capital projects over three years
- Combination of budget reductions and higher property taxes