

# 2023 Region of Peel

## Provincial Pre-Budget Submission



## Introduction

Peel Region has worked closely with all levels of government to overcome unprecedented challenges over the past few years. The collaborative approach used to meet the needs of Peel's residents and businesses over the course of the pandemic demonstrates the importance of continued partnership as Ontario's economy enters an era of uncertainty and instability.

As many Peel's services that slowed down or paused during the pandemic have resumed, demands for these services have increased to beyond pre-COVID-19 levels. Further, Peel is facing a volatile economic environment, which includes rising interest rates and heightened inflation, creating more affordability challenges for Peel's most vulnerable population.

As Peel Region moves forward in 2023, ensuring that service levels meet the needs of Peel's communities will require additional investments in key areas, such as affordable housing, paramedic response time, and seniors' services as well as strategic capital investments to address the climate change emergency and state of good repair for housing.

While additional funding has been allocated in Peel Region's 2023 budget to help meet the growing needs of Peel's communities, ongoing support and funding from the provincial government is required. This includes ensuring Peel Region, and the municipal sector, is fully compensated for any financial impacts resulting from recent changes to the *DC Act* that were introduced through the *More Homes Built Faster Act*.

Peel Region appreciated provincial and federal emergency funding received during the pandemic; however, moving forward, Peel requires adequate, sustainable and predictable funding to ensure the level of services needed to help Peel residents and businesses thrive and succeed.

As the Province moves forward in developing the 2023 Provincial Budget, Peel Region urges the consideration of its policy recommendations, which are outlined in this submission under the following key themes:

- Affordable housing and fiscal sustainability
- Stimulus infrastructure funding
- Hospital infrastructure local share requirement
- Community-based care
- Sustainable communities

## Summary of key recommendations

### Affordable housing and fiscal sustainability

- Create a municipal compensation fund to make Peel Region and the local municipalities financially whole to mitigate the significant impacts of Bill 23 on municipal growth funding revenues and expenditures.
- Engage with municipalities in discussion on the need for updated municipal revenue sources and collection tools to address the changing needs of local communities.
- Address historic underfunding for provincially mandated services in Peel.

### Stimulus infrastructure funding

- Partner with the federal government to ensure that Peel Region receives sustainable infrastructure investments.
- Ensure funding is commensurate with expected high inflation through 2023, to maintain real spending levels.

### Hospital infrastructure local share requirement

- Re-examine the “local share” requirement for hospital infrastructure to better reflect the limited fiscal capacity of municipalities and acknowledge the contribution to health care services that municipalities already made to their communities.

### Community-based care

- Support the expansion of community support services and wrap-around care at the Seniors Health and Wellness Village at Peel Manor.
- Provide formal and consistent regulation of Community Paramedicine, including sustainable funding and a policy framework.
- Provide targeted operating funding to meet the growing demand for mental health and addiction services in Peel.

### Sustainable communities

- Apply a climate lens to economic stimulus investments that considers the impacts of extreme weather and municipal resilience to climate change.
- Invest in sustainable energy generation to ensure decarbonization is prioritized as part of plans for economic expansion and growth.
- Provide funding to ensure waste management infrastructure keeps pace with anticipated growth in Peel.

## Affordable housing and fiscal sustainability

Municipalities have limited sources of revenues, and recent measures introduced through Bill 23 will further exacerbate fiscal challenges facing municipalities without substantively addressing the housing affordability crisis.

To ensure necessary financial supports are in place, the Province should:

- Create a municipal compensation fund to make Peel Region and the local municipalities financially whole to mitigate the significant impacts of Bill 23 on municipal growth funding revenues and expenditures.
- Engage with municipalities in discussion on the need for updated municipal revenue sources and collection tools to address the changing needs of local communities.
- Address historic underfunding for provincially mandated services in Peel.

### Affordable housing and the financial implications of the More Homes Built Faster Act, 2022

Peel Region recognizes that the enactment of Bill 23, *the More Homes Built Faster Act, 2022*, which includes changes to the *Development Charges Act (DC Act)*, is intended to help increase housing supply and improve affordability. However, there are significant concerns regarding the considerable financial impacts and unintended consequences associated with the implementation of these new measures.

A key concern is related to the changes to *the DC Act*, which eliminate housing services, growth-related studies, and certain land costs from being eligible for DCs. These changes are counter to the principle that “growth should pay for growth.”

Once implemented, changes to *the DC Act* could amount to a **\$2 billion revenue shortfall** or more for Peel Region, over the next 10 years, according to preliminary analysis.

In Peel, it is estimated that around 91,000 households live in housing that is unsuitable, inadequate or unaffordable. Moreover, modelling indicates that the Province’s increased housing targets are insufficient to achieve a trickle-down in affordability for moderate and low-income households. As such, predictable and sustainable long-term provincial funding is required to ensure municipalities can provide adequate housing services to meet the needs of their communities.

This includes the need for sustainable funding for the Peel Region’s Housing Master Plan (HMP) that, if fully implemented, will add more than 5,650 new

affordable rental units in Peel. The changes to the DC Act jeopardize the HMP, putting approximately 1,000 units at risk of cancellation due to the loss of \$200 million in DC funding for affordable housing services, and the knock-on loss of approximately a quarter billion dollars in matching federal financial commitments. Even prior to these risks materializing, Peel had been seeking \$319.6 million in funding to secure the HMP.

In addition, Peel Region's projected DC revenue shortfall resulting from Bill 23 will:

- Require Peel to take on additional debt that, without additional provincial funding, would force significant increases to property taxes and utility rates.
- Impact housing affordability and reduce the pace of growth and housing development in Peel.
- Force Peel to make a choice between significantly increasing taxes and utility rates or reducing service levels.

Municipalities have demonstrated that they do not have room to absorb additional financial burdens related to growth. As new measures included in Bill 23 are implemented, it is essential that the Province create a municipal compensation fund to compensate Peel Region and its local municipalities for revenue shortfalls and ensure revenue neutrality. It is also critical that the compensation be provided in a timely manner, as significant expenditures will require a funding source. Otherwise, municipalities will be forced to issue debt, which is ultimately more expensive for the taxpayer.

In addition, the Province should continue to engage with the municipal sector to explore additional tools for raising revenues, such as a vacant home tax, which can also assist in improving housing supply outcomes.

### **Municipal fiscal sustainability**

Added financial pressures resulting from projected DC revenue shortfalls will further compound the existing challenges facing municipalities. Responding to the COVID-19 pandemic magnified the urgent need for predictable and sustainable funding for critical services like public health, paramedic services and long-term care.

Peel Region greatly appreciated emergency funding received during the pandemic through provincial programs. However, as municipalities continue to deliver essential services and infrastructure, fiscal challenges due to outdated funding models and limited revenue sources, continue to threaten municipal fiscal

For **every tax dollar** generated in Ontario, its municipalities receive only **9 cents**. The Province receives **44 cents** and the **federal government receives 47 cents**, as reported in the 2019 report *Rethinking Municipal Finance for the New Economy*.

sustainability. When provincial funding does not keep pace with growth and inflation, the resulting deficit is added to the property tax base, placing an additional burden on property taxpayers.

### **Historic under-funding for provincially mandated services**

Funding for many provincially mandated services continues to be outpaced by growth and service demand pressures. For example, base funding for Peel Public Health was frozen between 2018 and 2021. In 2022, there was a 1 per cent increase, pro-rated starting April 1, 2022, reducing the annual funding shortfall from \$8.5 million to \$8.1 million. These continued funding shortages create pressures across public health programs and services, contributing to existing pressures in acute care (i.e., hallway healthcare.)

While Peel Public Health has consistently made efforts to increase efficiencies and implement effective, evidence-based programs, sufficient provincial funding is needed to ensure service levels can meet community need.

Other provincially mandated services that have experienced underfunding over the years include:

- **Housing:** Federal and provincial funding for housing subsidies dropped 20 per cent between 2017 and 2021, and the State-of-Good-Repair funding gap for Peel's aging community housing is \$594.6 million.
- **Paramedic services:** Ministry 50:50 cost-sharing for paramedic services that is based on the previous year's approved budget creates a funding lag that does not reflect current inflation and service pressures. This requires Peel Region to fund the Province's share of increased costs each new budget year until the provincial funding materializes the following year.
  - In Peel's 2023 Budget, there was a reserve draw of \$3.3 million to address the one-year lag in expected 50 per cent funding.
- **Long-Term Care:** An increasing proportion of the Peel's Long Term Care operating budget is being funded through property taxes.

Provincial funding for mandated programs will need to keep pace with elevated inflation rates forecasted for 2023. Even with 2022 increases to mandatory program funding, available financial resources are not keeping up with population growth, increased service needs, and cost of living increases.

Ultimately, the responsibility for funding income re-distribution programs, such as paramedics services, affordable housing and social services, should not be financed through the property tax base but should be more appropriately funded through income-based, provincial sources.

As such, there is an urgent need for the Province to engage with federal and municipal partners to review service responsibilities, as well as municipal revenue sources and tools, to address these long-standing funding challenges.

## Stimulus infrastructure funding

Investment in infrastructure will play a key role in stimulating Ontario's economic growth in the coming years.

To ensure the most efficient and effective use of taxpayer's dollars, the Province should:

- Partner with the federal government to ensure that Peel receives sustainable infrastructure investments.
- Ensure funding is commensurate with expected high inflation through 2023, to maintain real spending levels.

### Funding program and design

As all governments enter a period of economic uncertainty and volatility, it is critical to move forward on collaborative measures that provide stability and economic growth. This includes increased infrastructure investments in Peel, which will help achieve key provincial priorities, such as creating jobs, building an integrated transportation network, and providing safe drinking water, all of which will be essential for Ontario's economic recovery.

Project types that will achieve these priorities include:

- Wastewater plant rehabilitation, energy resiliency projects (including energy efficiency, recovery, and generation)
- Inflow and infiltration projects, and
- Road construction projects (widening, extension of active transportation and green infrastructure).

Peel Region has instituted property tax levies and utility rate increases to cover these gaps. However, changes to the *DC Act*, as a result of Bill 23, are expected to place additional pressure on the property tax base as a way of replacing lost growth revenues from reduced development charges.

Peel Region is currently facing a capital infrastructure **deficit of \$5.8 billion over the next 20 years**, just to maintain its existing infrastructure in a state of good repair.

This will negatively impact Peel's ability to fund frontline services and core infrastructure, which may be postponed or cancelled. Increased government investment in these projects will help achieve provincial economic objectives and also help Peel build much-needed infrastructure to help the community thrive.

## **Reforming municipal infrastructure funding programs**

In the face of increasing costs, the Province has an opportunity to work with municipalities to address design-related challenges to existing and future infrastructure funding programs that can maximize the value of remaining funds.

Housing and transit construction can mean additional costs in other areas, such as premature replacement or updating of water/wastewater infrastructure as well as greater life cycle and asset management costs. Funding for such projects should include the costs to be borne by impacted services to ensure these inter-dependent assets are in place in a timely and sustainable fashion. Aligning related funding programs to avoid delays or barriers that can be created when one type of infrastructure project is contingent on the timely completion of another will also help expedite these much-needed projects.

In addition, funding programs with limited timeframes for completion can create temporary supply shortages as municipalities across the province rush to complete projects, which, in turn can lead to increased resource and labour costs. Further, future funding programs must allow for more flexible project parameters. Municipalities require timeframes that correspond to a realistic infrastructure planning and implementation cycle (i.e., 10 years) to maximize value for tax dollars.

Infrastructure funding has the potential to create jobs and other economic benefits. Investments can better connect residents to employment, creating gains in both worker productivity and quality of life. At the same time, in-process construction projects can create temporary hardships for nearby businesses that should be considered. Funding for projects that help connect high-density community clusters to employment areas while off-setting the direct impacts of construction with business support funding is recommended.

### **Allocation vs. application-based funding**

Increased infrastructure funding through an allocation-based funding model will support investment in priority projects, consistent with each municipality's asset management plan. This can also help reduce the overall cost for municipal infrastructure projects, as price fluctuations and contractor shortages associated with application-based funding can be avoided.

An encouraging example of how this can be effectively applied is the program design for the COVID-19 Infrastructure Resiliency Stream, which was based on an allocation funding model. Peel Region appreciated the predictability of this funding stream and recommends that the Province implement similarly structured funding programs going forward.

# Hospital infrastructure local share requirement

Building complete communities is a priority for Peel Region and the Province, and the health and well-being of residents is at the centre of this shared vision.

Peel and its communities of Mississauga, Brampton and Caledon are already among the fastest growing in Ontario. Hospitals and health care are already struggling to keep pace with this growth. Peel Region appreciates and desperately needs current and planned health infrastructure investments from the provincial government. However, the Province's Hospital Capital Cost Share Policy (local share) contributes to already existing municipal fiscal challenges.

As such, the provincial government should:

- Re-examine the "local share" requirement for hospital infrastructure to better reflect the limited fiscal capacity of municipalities and acknowledge the contribution to health care services that municipalities already made to their communities.

## Hospital funding is a provincial responsibility

While Peel Region has a long track record of efficient delivery of mandated municipal services, there is no fiscal capacity to absorb additional local hospital capital costs, which are more appropriately funded through income taxes. Redirection of municipal revenues or reserves toward services that are a provincial responsibility negatively impacts Peel's ability to fund critical frontline services.

For the Peel Memorial Redevelopment and Expansion and Cancer Care Centre alone, the local share requirement contribution is estimated at \$250 million. While the total cost for the new Mississauga hospital project being undertaken by the Province and Trillium Health Partners is not yet known, the expected local share contribution will cause immense pressure on existing municipal revenue sources, especially the property tax base.

In the past, Peel Region was able to fund \$37 million toward the Brampton Civic Hospital (2007) and \$25 million for the Credit Valley Hospital expansion (2005) using development charges (DCs) collected. Since the Province no longer allows DCs to be collected for hospitals, property taxes remain the only revenue source that municipalities can rely on to fund any local share contribution.

Municipalities are on the frontlines of the many serious fiscal challenges confronting communities. The local share requirement disproportionately impacts fast-growing municipalities, such as Peel, by adding further pressure – the consequences of which result in additional health care-related levies and decreased service levels.

**By 2051, Peel's population is expected to reach 2.3 million.**

Ensuring world-class health care is accessible to residents in Peel and across Ontario can only be achieved through priority investments in hospitals. Modernizing and transforming health care in Peel will be a critical component of the anticipated high growth in the region; however, health care is a provincial area of responsibility and should not be borne by the property tax base.

## Community-based care

Ontarians, including Peel residents, are struggling to get the health care services they need due to increasing system pressures. Peel Region will continue to work in close collaboration to help drive efficiencies and find solutions to health-related challenges in Peel and across Ontario.

To alleviate these pressures and address capacity concerns across the broader health care system, investments are essential in early intervention and prevention programs to help avoid health issues from escalating. Specifically, the Province should:

- Support the expansion of community support services and wrap-around care at the Seniors Health and Wellness Village at Peel Manor.
- Provide formal and consistent regulation of community paramedicine, including sustainable funding and a policy framework.
- Provide targeted operating funding to meet the growing demand for mental health and addiction services in Peel.

### Seniors Health and Wellness Village

The Seniors Health and Wellness Village at Peel Manor is an innovative project that aligns with the provincial government's efforts to end hallway health care and improve long-term care integration within the health system and larger community. The facility is being transformed into a service hub and campus of care that will accommodate a spectrum of services to enable seniors in the community to age in place, delaying or eliminating their need for long-term care and reducing demands on hospitals.

The scope of this project includes the redevelopment of 177 long-term care beds, and it presents an excellent opportunity for the Province to contribute toward enhanced support for Peel residents, while also supporting the provincial commitment to redevelop 30,000 long-term care beds.

The transformation of the Seniors Health and Wellness Village supports the provincial government's vision of strengthening long-term care; however, this project has yet to receive any provincial financial support. To fully realize the benefits of this innovative centre for seniors, Peel Region is seeking \$6 million in sustainable operational funding toward the expansion of community support services and wrap-around care.

## Community paramedicine

Innovative initiatives such as Peel’s Community Paramedicine program aims to improve people’s health, while addressing system pressures by keeping people out of hospitals. This benefits both communities and the provincial government by providing care and support to people where they are rather than in the health care system.

As an upstream solution, the Community Paramedicine Program supports wrap-around care for vulnerable Peel residents and has been proven to fill critical gaps in health care delivery. This unique service delivery model continues to have an invaluable impact in Peel and communities throughout Ontario. However, building upon this success will require a legislative framework that establishes provincial and municipal roles and responsibilities that protect both municipalities and paramedics.

Furthermore, sustainable and predictable (full 100 per cent) provincial funding for community paramedicine will enable paramedics in Peel, and communities across Ontario, to contribute to this primary care in a way that continuously responds to new and emerging health needs. Current three-year pilot funding from the Ministry of Long-Term Care for the Community Paramedicine in Long Term Care program (CPLTC), valued at \$9.75 million, needs to be sustained as a minimum for base program funding into the future.

## Support to meet mental health needs

Peel Region appreciates investments and efforts to date by the Province aimed at advancing mental health care and awareness; however, Peel needs targeted operating funding to meet the growing demand for mental health and addiction services in Peel.

Transfer payments to health service providers indicate that Central West and Mississauga Halton LHINs allocated an average of \$42.51 per capita funding for community mental health and addictions services compared to Ontario at \$88.10. In 2021, the average per capita transfer payments to community mental health and addictions services in the former Central West and Mississauga Halton LHINs continued to be lower than the provincial average.

### Mental Health Services funding per capita 2021

Central West LHIN	\$51.35
Mississauga Halton LHIN	\$35.94
Provincial Average	\$88.10

Historically, funding allocation has been reported for adults 20+ years; service utilization is now reported for ages 15-64 years and is starkly underfunded in comparison to the Ontario average.

The chronic underfunding of Peel's mental health and addictions services further illustrates the need to apply a population-based funding approach that considers funding needs based on population size, demographics and need. This approach would not only correct long-standing funding disparities but also address additional service pressures that come with a population facing unique socioeconomic risk factors.

To ensure the strength of a broader health system, it is important that provincial investments and ongoing support for mental health match demands for service and needs.

## Sustainable communities

The Province and Peel Region have a shared commitment to ensure there is an ongoing sufficient supply of clean energy, that waste is managed in increasingly efficient ways and to drive down greenhouse gas emissions to safeguard our communities and our economy.

To accomplish these important objectives, the Province should:

- Apply a climate lens to economic stimulus investments that consider the impacts of extreme weather and municipal resilience to climate change.
- Invest in sustainable energy generation to ensure decarbonization is prioritized as part of plans for economic expansion and growth.
- Provide funding to ensure waste management infrastructure keeps pace with anticipated growth in Peel.

### Climate change lens

All levels of government will be impacted by climate change, particularly by the costs of maintaining infrastructure and ensuring the continuity of critical services. Global greenhouse gas (GHG) emissions are at dangerous levels and continue to rise, resulting in Peel's services and infrastructure being exposed to more frequent and severe impacts of climate change.

Provincial and Peel's targets aimed at reducing GHGs are important components of the response to this climate emergency, though greater action is needed. Peel Region is accelerating climate action to reduce corporate GHG emissions and manage climate risks to \$36 billion in assets. Tackling the wide-reaching impacts of climate change requires a comprehensive and collaborative response. Peel aims to partner with the provincial government to help protect infrastructure and invest in solutions.

To help expedite the flow of federal economic stimulus investment to much-needed municipal infrastructure projects, the Province should apply a climate change lens, consistent with the federal climate change objectives. There is a growing need for provincial regulations and funding that address climate change and protect the investments made in public infrastructure from unplanned service disruptions or early asset retirements. This has become more prevalent as industries are facing the economic realities of climate change due to supply chain disruptions, global trade agreements and divesting from obsolete products and services.

## **Expanded clean energy**

As Ontario continues to position itself as a premier location for businesses, it is important that it continues to secure clean electricity that is not limited by grid capacity and invests in resilient infrastructure. This will provide a competitive advantage for Ontario to secure greater investments from businesses as these investments demonstrate support for maintaining business continuity amid increasing extreme weather events. It will also contribute to economic development in communities across the province, including Peel.

Reaching Peel's GHG reduction targets will require a significant switch from reliance on fossil fuel energy and production of more clean electricity to power homes, vehicles, businesses, and industries.

The success of decarbonizing our economy and our communities can be achieved through sustainable energy generation. The Province's Electrification and Energy Transition Panel is a step in the right direction. However, climate action should also become part of a modernized Independent Electricity Service Operators (IESO) mandate. This will better enable the IESO and Local Distribution Companies (LDCs) to conduct a grid-scale capacity study to identify and coordinate where investments are needed to improve the capacity of clean electricity to support the transition to made-in Ontario electric vehicles and zero-emission buildings.

## **Investing in waste infrastructure**

Peel Region operates the second largest municipal waste program in Ontario, which includes the management of 570,000 tonnes of waste annually from 1.5 million residents. In 2021, Peel diverted 50 per cent of waste from landfill and remains committed to a 75 per cent diversion rate by 2034. As Peel communities continue to grow, Peel Region continues to innovate to ensure waste management services are cost-effective, efficient and environmentally responsible.

Peel Region would welcome provincial support for innovative pilot projects, such as artificial intelligence and zero emission vehicle pilot projects. Specifically, Peel requests investment in additional waste disposal and organics processing capacity, such as mixed waste processing, anaerobic digestion and thermal treatment.

With further provincial support in waste management infrastructure, the shift from disposal to resource recovery can be accelerated, which is necessary to support healthy, prosperous communities and move toward a low-carbon circular economy.

