

Municipal fiscal sustainability

Addressing municipal fiscal challenges

Policy opportunity and solutions

To ensure municipalities can provide the adequate level of services and programs required to meet needs of Peel residents and businesses, the Province should:

- Address historic underfunding for provincially mandated services in Peel.
- Engage with municipalities on the need for updated municipal revenue sources and collection tools to address the changing needs of local communities.

Background

Municipalities play a crucial role in providing essential services and infrastructure to ensure the safety and well-being of their communities. However, Peel Region, like many other municipalities, is facing significant fiscal challenges due to outdated funding models, which no longer support community needs, limited revenue sources, and historic under-funding for provincially mandated services. The COVID-19 pandemic has further highlighted the urgent need for predictable and sustainable funding for critical services, such as public health, paramedic services and long term care.

Challenges to municipal fiscal sustainability

Provincial funding for essential services such as public health, housing, paramedic and seniors' supports must keep pace with growth and inflation. For years, Peel Region has faced chronic underfunding for these services, which has placed an unfair burden on property taxpayers.



Peel Public Health

Base funding for Peel Public Health was frozen from 2018 to 2021. In 2022, there was a 1 per cent increase in funding, pro-rated from April 1, 2022, however, this only reduced the funding gap from \$8.5 million to \$8.1 million.

These persistent funding shortages continue to exert pressures on public health programs and services, ultimately resulting in staff reductions and contributing to existing challenges, such as “hallway healthcare.”

Housing subsidies

Housing subsidies in Peel have faced a significant decrease over the past several years, with federal and provincial funding dropping by 20 per cent between 2017 and 2021. Even after accounting for \$194 million in reserve contributions over the past decade funded by Peel taxpayers, the unfunded gap in housing subsidies stands at a substantial \$678 million. This underfunding puts significant strain on housing services, making it challenging to adequately address the housing needs of the community.

Paramedic services

Peel’s paramedic services also face challenges due to the Ministry’s 50:50 cost-sharing model, which is based on the previous year’s approved budget. This approach creates a funding lag that fails to consider current inflation and service pressures. As a result, Peel Region has to cover the Province’s share of increased costs each new budget year until the provincial funding is made available in the following year. To address this lag, Peel’s 2023 Budget included a reserve draw of \$3.3 million to address the expected 50 per cent funding shortfall for one year.

Seniors Services

Seniors Services in Peel are increasingly relying on property taxes to fund their operating budget. In 2023, the budget for Seniors Services amounted to \$129.5 million, with \$47 million (36%) coming from property taxes. Despite some increases in program funding in 2022, the available financial resources are still falling short of meeting these demands.



Chronic underfunding has placed an unfair burden on property taxpayers. Continuing to finance income redistribution programs through the property tax base places an increasing burden on residents, some of whom are facing heightened unaffordability challenges due to higher inflation and rising interest rates. To address this challenge, the Province should develop more appropriate funding solutions through income-based, provincial revenue sources, which could include:

- **Increased revenue sharing:** To ensure fair distribution of tax revenues between different levels of government, the Province should allocate an increased portion of tax revenues to municipalities to support their service delivery.
- **Grant programs:** To support adequate funding, the Province should work with the municipal sector to ensure that these grant programs are appropriately designed and enhanced to provide adequate levels of funding.
- **Allocation-based infrastructure programs:** The Province should coordinate with the federal government to implement funding programs using an allocation model to distribute stimulus funds expeditiously for priority projects, consistent with each municipality's asset management plan.

