



7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Telephone: 416-325-0400
Facsimile: 416-325-0374

7^e étage, Édifice Frost Sud
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Téléphone: 416-325-0400
Télécopieur: 416-325-0374

December 21, 2018

Dear Head of Council:

We are writing to provide you with an update on the 2019 Ontario Municipal Partnership Fund (OMPF).

Firstly, congratulations on your new office term. Our government knows that one of the first priorities for your new council is setting your 2019 budget. The Association of Municipalities of Ontario (AMO) along with a number of individual municipalities have asked for information about the 2019 OMPF to support budget planning.

Like many of my colleagues in the Legislature, as former municipal representatives, we understand the importance of this information. Let me assure you, we are committed to getting you the details of your 2019 OMPF allocation as soon as possible.

As outlined in November's *2018 Ontario Economic Outlook and Fiscal Review*, our government wants to ensure that the vital services people rely on like health and education are available to individuals and families for generations to come. This is why our top priority is putting the Province's fiscal house in order.

As you know, the Province's financial challenge is massive. We inherited a \$15 billion deficit and over a third of a trillion dollars in net debt. The previous government was spending more than \$40 million more a day than they took in.

This is simply unsustainable. This is why we are making every effort to restore fiscal balance to the Province.

Ernst and Young, who conducted a line-by-line-review of Ontario's spending, confirmed in its report *Managing Transformation — A Modernization Action Plan for Ontario* that the growth in transfer payments and other provincial supports are key contributors to the province's mounting debt. Getting this spending under control is why we are undertaking a detailed review of all transfer payments, including those to municipalities.

We must continue to support municipalities in a way that is sustainable and responsible. To achieve this, we are reviewing the OMPF — which is why details of OMPF allocations will be released later than in past years.

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We will be looking to you, our municipal partners, to help us with the challenge that lies ahead — as we look to drive efficiencies and value-for-money in all of our transfer payments, including the OMPF. While we all will be operating within a smaller funding envelope, we want to work with you to return the program to what it was initially intended to do — support the Northern and rural municipalities that need it the most.

As part of the OMPF review, we will seek your feedback on how best to renew the program. We will work through AMO and the recently signed joint Memorandum of Understanding (MOU). This agreement is a foundation of our relationship. The AMO MOU table has been an important forum for discussing and receiving your input on financial matters. I also understand that there has been a staff working group that has provided valuable feedback on the OMPF in the past. Ministry officials have been asked to engage with this group early in the New Year.

Again, we want to provide you with 2019 OMPF allocations as soon as possible. We are working to complete the review early in 2019.

Since coming into office, our government has taken a number of actions to support municipalities. These include introducing legislation to address two critical issues in Ontario's firefighting sector: fairness for professional firefighters and the efficiency of the interest arbitration system. In addition, we have committed to providing municipalities \$40 million over two years to help with the implementation costs of recreational cannabis legalization. In addition, if Ontario's portion of the federal excise duty on recreational cannabis over the first two years of legalization exceeds \$100 million, the province will provide 50 percent of the surplus only to municipalities that have not opted-out as of January 22, 2019. We are also working to reduce the significant red tape burden municipalities face.

These are important initiatives that will make life better for the people of Ontario.

We respect our municipal partners, and are committed to working constructively with all local governments to find smarter and more efficient ways to make life better for our communities.

Sincerely,



Vic Fedeli
Minister of Finance

- c: The Honourable Steve Clark, Minister, Municipal Affairs and Housing
Greg Orencsak, Deputy Minister, Ministry of Finance
Laurie LeBlanc, Deputy Minister, Ministry of Municipal Affairs and Housing
Jamie McGarvey, President, Association of Municipalities Ontario