



Memorandum

TO: Members of Regional Council
FROM: Bill Hughes, Commissioner of Finance and Regional Treasurer
DATE: April 14, 2016
RE: **2016 Federal Budget**

The purpose of this memorandum is to provide Council with an overview of the main elements in the 2016 Federal Budget that are important to York Region. The 2016 Budget presents new priorities that focus on growth and help for the middle class, indigenous people and creating a clean economy.

The 2016 Budget expands the government's commitment to infrastructure investments over the next ten years

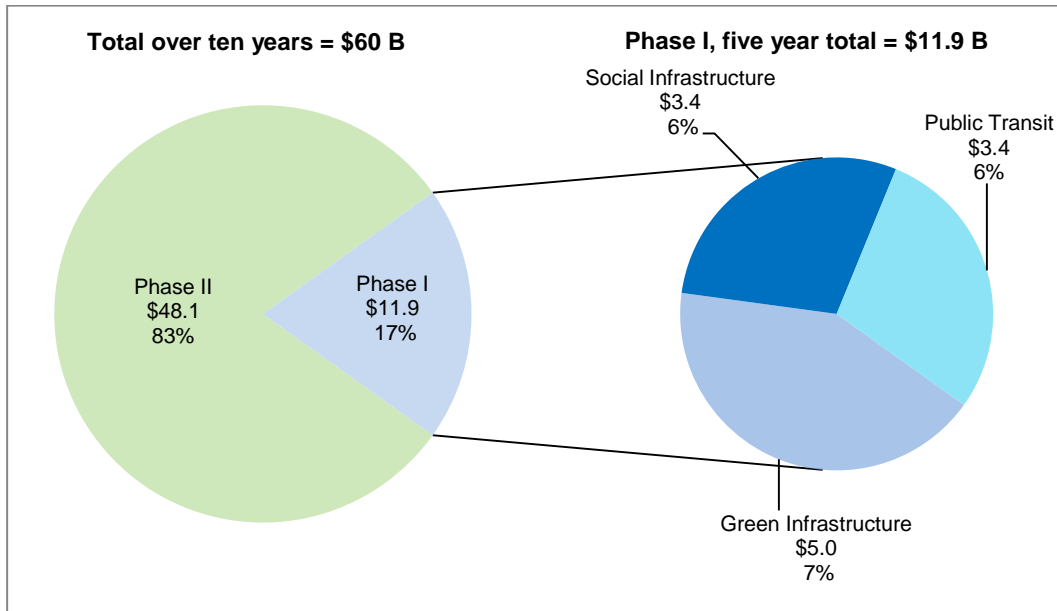
The 2016 Budget commits to more than \$120 billion in infrastructure spending over the next ten years, compared to the \$60 billion investment committed to in the previous budget¹. This represents \$60 billion in additional funding for existing and new areas such as green, social and public transit infrastructure.

A two phased approach to the new infrastructure spending is planned. Phase I will allocate \$11.9 billion over five years (or 17%) of the additional funding to immediate priorities such as rehabilitation of public transit, water and wastewater systems and protecting existing infrastructure. Phase II will allocate the remaining funds beginning in 2018-19 and will focus on broader and more strategic goals. Detailed plans for Phase II will be provided in the future.

¹ The 2015 Budget proposed \$53.5 billion for the New Building Canada Plan.

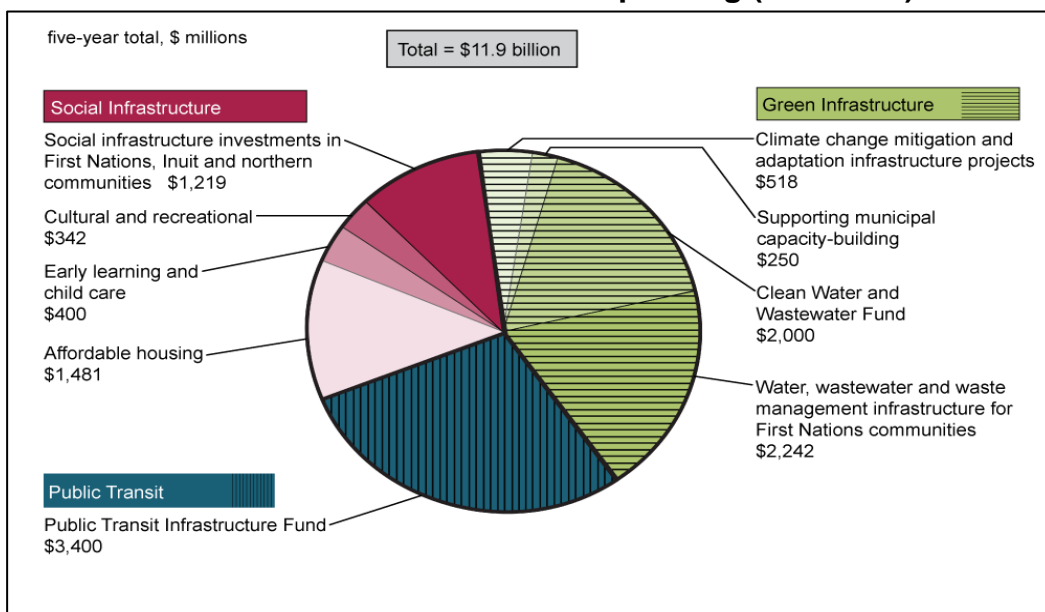
Charts 1 and 2 show the breakdown of funds for Phase I of new infrastructure spending.

Chart 1
Breakdown of New Infrastructure Spending (\$ Billions)



Source: Growing the Middle Class 2016: Chapter 2: Growth for the Middle Class
Note: numbers may not add due to rounding

Chart 2
Phase I of New Infrastructure Spending (\$ Billions)



Source: Growing the Middle Class 2016: Chapter 2: Growth for the Middle Class, Chart 2.2
Note: numbers may not add due to rounding

The Region may receive Phase I funding for public transit

As part of Phase I, an additional \$3.4 billion will be allocated to the Public Transit Infrastructure Fund over the next three years. The federal government will fund up to 50% of transit projects. There are no specific commitments to transit projects in York Region in the budget. Some projects in cities such as Toronto were mentioned without a specific dollar value allotment.

Funding will be provided to municipalities based on their share of transit ridership. On this basis, the amount allocated to Ontario is approximately \$1.5 billion. The Region's share of Ontario's ridership is 2.5%, which translates to approximately \$37.2 million in funding over three years².

Examples of eligible projects include:

- purchase of new subway and street cars and low-floor buses
- construction of tracks, bridges, signals and switches
- design, implementation and construction work for new large-scale projects.

New investments in green infrastructure are geared towards helping municipalities adapt to climate change

The Green Infrastructure component of Phase I of the infrastructure plan commits \$5 billion over the next five years to water, wastewater and green infrastructure. This investment consists of \$250 million for municipal capacity-building, \$520 million for climate change mitigation and adaptation infrastructure, \$2 billion for a new Clean Water and Wastewater Fund, and \$2.24 billion for water and wastewater infrastructure in First Nations and Northern communities.

The investment in municipal capacity-building will provide \$75 million for municipalities to address climate change by reducing greenhouse gas emissions, \$125 million over the next two years for the Green Municipal Fund and \$50 million to support asset management best practices. All three of these initiatives will be administered by the Federation of Canadian Municipalities.

² Calculations based on ridership numbers from the Canadian Urban Transit Association's 2014 Canadian Transit Fact Book.

Funding allocated to the Clean Water and Wastewater Fund will be prioritized to urgent needs, with funding to be delivered this year. Under this initiative, the federal government will fund up to 50% of eligible project costs. The Region has advocated for funding from the federal government for the Upper York Sewage Solutions. This project may qualify for funding from the Clean Water and Wastewater Fund.

The budget reaffirms commitment to the New Building Canada Plan

The 2016 Budget retains key elements of the New Building Canada Plan:

- \$32.2 billion for the Gas Tax Fund and the GST Rebate, which are intended to fund municipal infrastructure projects
- Accelerating spending for the \$9 billion Provincial-Territorial Component of the New Building Canada Fund
- \$4 billion for the National Infrastructure Component of the New Building Canada Fund.

The budget also commits to transferring uncommitted funding from older infrastructure programs to municipalities through the Gas Tax Fund over the next three years.

The budget contains enhanced investment in affordable housing

The 2016 Budget proposes an additional investment of \$2.3 billion in affordable housing over the next two years, including an additional \$740 million for First Nations and Northern communities.

Affordable housing investments are mostly funded under the Social Infrastructure component in Phase I of the infrastructure plan. Table 2 shows a detailed breakdown of the funds dedicated to affordable housing initiatives in Phase I of the infrastructure plan.

Table 2
Additional Affordable Housing Investments under Phase I
(\$ Millions)

Initiative	2016-17	2017-18	Total
Doubling the Investment in Affordable Housing initiative	261.6	242.8	504.4
Increasing affordable housing for seniors	100.3	100.4	200.7
Supporting energy and water efficiency retrofits and renovations to existing social housing	500.0	73.9	573.9
Supporting shelters for victims of violence	60.0	29.9	89.9
Tackling homelessness	57.9	53.9	111.8
Additional investments in housing for First Nations, Inuit and Northern communities	356.2	382.8	739.0
Total investments funded through social infrastructure component	1,336.0	883.7	2,219.7
Additional investments to support the construction of affordable rental housing*	13.1	72.6	85.7
Grand Total	1,349.1	956.3	2,305.4

Source: Growing the Middle Class 2016: Chapter 2: Growth for the Middle Class, Table 2.1

*Funding for the construction of affordable rental housing will continue beyond 2017–18. Additional funding of \$122.6 million over three years, starting in 2017–18, will be provided, bringing total investments to \$208.3 million over five years.

Budget 2016 proposes to double current funding under the Investment in Affordable Housing initiative. Provinces are required to match federal funding, and they have the flexibility to tailor programs to meet local housing needs. Measures can include construction of new housing units, renovation of existing units and provision of rent supplements. Community and Health Services will explore opportunities to take advantage of the new funding.

Funds will also be allocated to support the construction, repair and adaptation of affordable housing for seniors, with no matching required from provinces. Community and Health Services will seek funding for the Council-approved Unionville Home Society Redevelopment project.

The budget includes \$574 million over two years for energy and water efficiency retrofits and renovations in existing housing units. Most of the planned spending is in 2016-17. Community and Health Services will seek any funding the Region would be eligible for under this program.

The Tackling Homelessness initiative will increase funding for programs that help to prevent and reduce homelessness. United Way Toronto and York Region is the Community Entity that receives funding from the federal government to tackle homelessness and is the sole decision maker on how funds are allocated within the community. However, the Region provides input and advice through the York Region Homelessness Community Advisory Board to United Way Toronto and York Region regarding the coordination and allocation of funds.

The federal government is also committing \$208.3 million over five years towards an Affordable Rental Housing Innovation Fund for the construction of affordable rental housing units. This fund will be administered by the Canada Mortgage and Housing Corporation. The investment is expected to support the construction of up to 4,000 new affordable housing units over five years across Canada. Housing York is exploring opportunities to introduce mixed tenure in new developments, meaning a mix of owned, rental and subsidized units. This approach appears to be consistent with the intent of the program. The Region will continue to monitor program details and look for opportunities to participate.

The Canada Mortgage and Housing Corporation will consult with stakeholders on the design of a new Affordable Rental Housing Financing Initiative, which would provide up to \$500 million in low cost financing every year for the next five years. The funding would encourage construction of new affordable housing projects by making low-cost capital available to developers during the earliest, most risky phases of development.

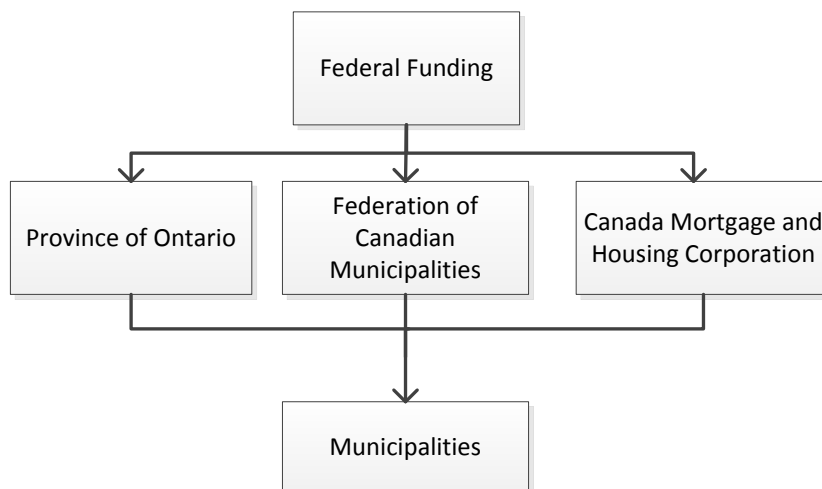
The budget proposes additional funding for broadband connectivity

The federal government is investing an additional \$500 million over five years to extend and enhance broadband service in rural and remote communities. Details on this initiative are to be announced in the coming months.

Federal infrastructure funding will flow through the Province of Ontario, the Federation of Canadian Municipalities, or the Canada Mortgage and Housing Corporation

Federal infrastructure funding to the Region will flow through the Province of Ontario, the Federation of Canadian Municipalities, or the Canada Mortgage and Housing Corporation, as described previously. The federal government and the Province of Ontario are expected to negotiate a formal bilateral funding agreement. Chart 3 depicts the flow of federal infrastructure funding to municipalities.

**Chart 3
Infrastructure Funding Flow**



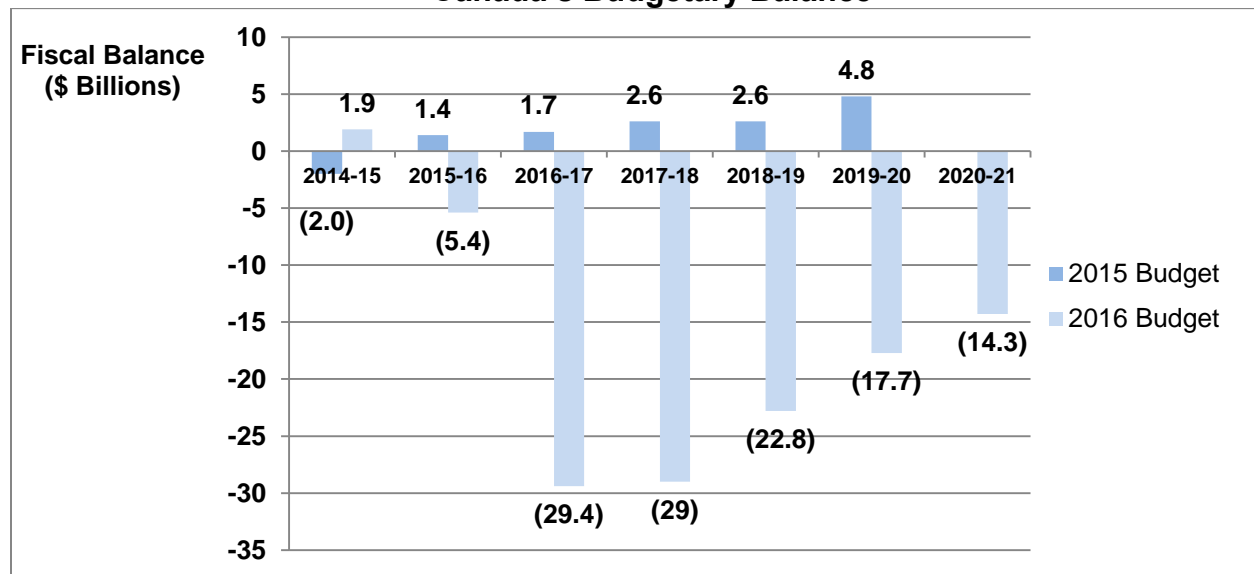
The federal government has replaced the Canada Child Tax Benefit with the Canada Child Benefit

The new Canada Child Benefit will simplify and increase support for low and middle-income families with children, and benefits received will be tax free. The Region runs the Child Care Fee Assistance program, a provincially legislated program that subsidizes the cost of child care for low-income families. Eligibility for the program is determined through an income test. Low-income families will see an increase in their income as a result of the new Canada Child Benefit. However, there will be no impact on their eligibility since Child Benefits are not included as income when determining eligibility for the Child Care Fee Assistance program.

To accommodate new spending initiatives, the federal government projects six consecutive years of deficits

The budget is projecting a \$5.4 billion deficit for this year, a \$29.4 billion deficit for 2016-17. Deficits are expected to decline significantly after 2017-18.

**Chart 4
Canada's Budgetary Balance**



Source: Growing the Middle Class 2016: Canada's Fiscal Strength, Table 1

The forecast of consecutive deficits is partly due to slower-than-expected growth in the Canadian economy, resulting in lower revenues than previously anticipated. Also, historically low interest rates provide an opportunity for expansionary fiscal policy. The budget includes significant new spending initiatives to stimulate the economy.

The 2016 Budget includes \$50.2 billion in targeted investments or budget measures over six years, beginning in 2015-16. In 2016-17, annual program expense is set to increase by 7.6%, followed by an average increase of 2.6% over the following four years.

Regional staff will continue to monitor future developments in these areas and, as more information becomes available, will report the potential impacts to Council as appropriate.

Bill Hughes, Commissioner of Finance and Regional Treasurer

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