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December 15, 2009

Dear Head of Council:

We are writing to announce the release of the Ontario Municipal Partnership Fund (OMPF) allocations for 2010. We would also like to update you on the province's fiscal situation.

As outlined in the Fall Economic Statement delivered on October 22, 2009, the province's fiscal situation has substantially worsened since the 2009 Ontario Budget. The global economic crisis has had a significant impact on Ontario's revenues. As in other jurisdictions, we are projecting a much higher provincial deficit — \$24.7 billion for 2009–10. Our objective is to manage the deficit down over time while protecting key services for the people of Ontario.

Municipalities are benefiting considerably from our decision to upload social assistance benefit program costs. Once fully implemented, these uploads, along with the upload of up to \$125 million annually in court security costs, will result in a net benefit to municipalities of \$1.5 billion annually.

We will begin the phased upload of Ontario Disability Support Program (ODSP) and Ontario Works (OW) benefit costs in 2010. This builds on our previous uploads of Ontario Drug Benefits (ODB) in 2008 and the administration component of ODSP in 2009.

In 2010, we will provide \$1.2 billion in support to 406 municipalities through the combined benefit of both the OMPF and the provincial uploads. The OMPF will total \$625 million in 2010. Combined with the \$570 million in provincial uploads, this represents a 26 per cent increase over the support provided in 2009.

As you know, municipalities were notified last year that the \$70 million provided in respect of OMPF mitigation was special one-time assistance for 2009 only. It was also conveyed that requests for further mitigation assistance in 2010 would have to be considered in the context of the province's worsening fiscal situation, the significant funding commitments already made to the municipal sector, and pressures in other key areas such as health and education.

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Given our significant investments in the municipal sector and our current fiscal challenges, we will not be providing full mitigation beyond 2009. However, we will be providing \$25 million in transitional assistance for 2010. This assistance is designed to ensure that eligible municipalities receive a guaranteed level of support based on the combined benefit of both OMPF and provincial uploads. The assistance is also targeted so that the guarantee for municipalities in the north is set at a higher level.

This \$25 million in transitional assistance is for 2010 only. Therefore, like all levels of government, municipalities should continue to exercise prudent fiscal management in their future budget planning.

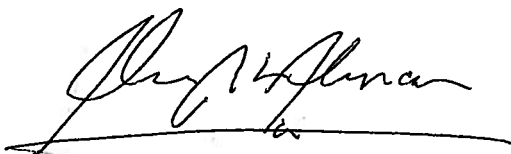
The Ministry of Finance's (MOF) Provincial-Local Finance Division will be providing further details on the 2010 OMPF, including the targeted assistance, to your municipal Treasurers and Clerk-Treasurers shortly. This information and other supporting materials will be posted in both English and French on the MOF website:

<http://www.fin.gov.on.ca/en/budget/ompf/2010/>
<http://www.fin.gov.on.ca/fr/budget/ompf/2010/>

Our record on supporting municipalities speaks for itself. Together with other provincial initiatives, we will have increased ongoing annual support to municipalities to more than \$3.8 billion by 2018, an increase of over 250 per cent compared to 2003.

Given Ontario's current economic challenges, our government's commitment to working in partnership with our municipalities is more important than ever.

Yours sincerely,



Dwight Duncan
Minister
Ministry of Finance



Jim Watson
Minister
Ministry of Municipal Affairs and Housing