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REPORT TITLE: **Bill 112 – Managing Through the Transition**

FROM: Gary Kent, CPA, CGA, ICD.D, Chief Administrative Officer

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## **RECOMMENDATION**

**That the Principles for approaching the 2024 budget and existing workplans, as outlined in Appendix II of the Report of the Chief Administrative Officer, listed on the June 8, 2023 Regional Council agenda titled “Bill 112 – Managing Through the Transition”, be endorsed.**

## **REPORT HIGHLIGHTS**

- On May 18, 2023, the Province introduced Bill 112, *The Hazel McCallion Act (Act)*. If passed, this Act will dissolve the Regional Municipality of Peel effective January 1, 2025, and make Brampton, Caledon, and Mississauga single tier municipalities.
  - This has introduced layers of complexity and anxiety with many stakeholders, including staff.
  - Peel is an anchor institution in the community. Peel residents, businesses and the community rely on the seamless delivery of high quality, efficient services.
  - Everyone agrees that maintaining services is critical and that ensuring the well-being of staff who deliver and support the delivery of those services is of utmost importance.
  - The purpose of this report, in the absence of certainty, is to be very transparent and establish principles which staff can use to assess how to proceed with already approved programs and projects, as well as establishing principles to prepare the 2024 budget.
  - The Ministry of Municipal Affairs and Housing is actively working to develop the Terms of Reference and appoint the Transition Board, after the legislation is passed, to facilitate the municipal restructuring. The Transition Board is expected to be in place by the end of July.
  - The financial audit, also initiated by the Province, is expected to start at approximately the same time and run until the end of the year.
  - While Peel staff assess the legislation, associated impacts and plan to work with the Auditors and the Transition Board, several risks are being managed.
  - Peel’s Executive Leadership Team, working with their Directors, have developed principles for approaching the 2024 budget and existing workplans.
  - In accordance with the proposed legislation, decisions will be made in the public interest having regard for the municipal restructuring, ensuring value for money, high quality efficient services and that other municipalities are not unreasonably impacted.
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## Bill 112 – Managing Through the Transition

### DISCUSSION

#### 1. Background

On May 18, 2023, the Province introduced Bill 112 (Appendix I), which proposes to dissolve the Regional Municipality of Peel and make Brampton, Caledon and Mississauga single tier municipalities, effective January 1, 2025.

As of the date of preparing this report (May 30<sup>th</sup>), the Bill passed through the second reading. Three readings of the Bill, followed by the receipt of royal assent, are required for the Bill to become law.

Pursuant to the proposed legislation, the Province will appoint a Transition Board consisting of up to 5 individuals to facilitate the municipal restructuring. As outlined in the following excerpt from the legislation, the Board's duties include:

“Provide recommendations to the Minister, by the date or dates directed by the Minister, respecting the municipal restructuring required for the purposes of section 2, including recommendations with respect to,

- i. winding down the financial operations of The Regional Municipality of Peel,
- ii. transferring assets of The Regional Municipality of Peel,
- iii. assigning liabilities, debt and other financial obligations of The Regional Municipality of Peel,
- iv. employment matters, including pension and benefit obligations,
- v. the allocation, governance, use and control of services provided by The Regional Municipality of Peel, including whether joint municipal service boards or other entities should be established or other shared servicing arrangements would be advisable,
- vi. the impact on any municipality that may be affected by the dissolution of The Regional Municipality of Peel,
- vii. the long-term economic sustainability of the City of Mississauga, the City of Brampton and the Town of Caledon as single-tier municipalities, and
- viii. any other matters that the board considers advisable or that the Minister may direct.”

The Ministry of Municipal Affairs and Housing is actively working to develop the Terms of Reference and to appoint the Transition Board when the legislation passes.

Recommendations from the Transition Board are due to the Minister in the Summer/Fall of 2024 and legislation to address restructuring matters is expected in the Fall of 2024. The Minister and Cabinet will make the final decision.

Council is also aware that the Province recently announced the financial audit of several municipalities, including Peel Region, all three local municipalities, the City of Toronto, and the Town of Newmarket. The purpose of the audit is to assess the financial impacts of Bill 23 and to optimize municipal resources.

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Peel's participation in the audit was approved by Regional Council on May 11, 2023. It is expected that the financial audit will start at approximately the same time as the Transition Board and run until the end of the year.

The purpose of this report, in the absence of certainty, is to be very transparent and establish principles which staff can use to assess how to proceed with already approved programs and projects as well as establishing principles to prepare the 2024 budget.

### **2. Peel's Critical Role in the Community**

Peel is an anchor institution in the community. Peel residents, businesses and the community rely on the seamless delivery of high quality, efficient services.

Peel provides essential services through all stages of life such as housing & shelter, childcare services, social assistance, waste collection, water & wastewater treatment, arterial roads, TransHelp, Paramedics, public health programs including disease prevention, immunization, and long-term care services.

Throughout the COVID-19 pandemic, Peel staff administered 3.3 million doses of COVID-19 vaccine to Peel residents aged 12 and over, managed over 180,000 COVID-19 cases and secured over \$360 million in COVID-19 funding to support the community.

Peel also funds police services (Peel Regional Police & Ontario Provincial Police) and the Conservation Authorities.

The total annual operating budget for Peel is \$3.1 billion. The annual capital budget is \$1.9B and the ten-year capital plan is \$14.5B. Regional assets total \$36B.

As highlighted in the 2023 budget, Peel service levels include:

- Providing affordable housing and supports to approximately 28,800 households
- Managing 10 development projects that will add almost 1,000 new affordable units
- Providing approximately 23,000 residents with Ontario Works assistance
- Responding to an estimated 148,000 emergency calls
- Providing approximately 700,000 TransHelp trips
- Providing more than 8,000 fee subsidies making it possible for families to access affordable licensed childcare
- Providing opportunities for over 17,000 children and their families to participate in EarlyON programs across Peel
- Providing an estimated 95,000 children with free dental screening
- Providing approximately 800 residents with quality care through five long term care homes
- Planning and managing growth and development to sustain healthy and complete communities for current and future generations
- Managing over 570,000 tonnes of residential waste
- Treating, transmitting, and distributing 590 million litres per day of municipal water to over 339,000 retail and wholesale customer accounts

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- Maintaining 1,700 lane kilometres of roads, 390 kilometres of active transportation infrastructure, and 345 kilometres of storm sewers
- Conducting approximately 12,000 compliance health inspections at 6,600 food premises
- Providing programs and services to Peel residents through agencies funded by \$7 M in Community Investment grants
- Planning for climate change adaptation and environmental resiliency
- Advancing work that contributes to a diverse and inclusive workplace and community
- Welcoming an estimated 13,700 estimated in person & virtual visitors with local arts and exhibitions at the Peel Art Gallery, Museum and Archives (PAMA)

All of these services contribute to Peel's rapidly growing, dynamic community. In 1974, Peel's population was approximately 265,000. There has been significant growth. Peel's current population is 1.5 M and by 2051, projected to be 2.28 M.

### 3. Navigating the Change and Managing Risks

Navigating this change and transition is a significant task. Everyone agrees that maintaining services is critical and that ensuring the well-being of staff who deliver and support the delivery of those services is of utmost importance. Retention of knowledgeable, trained staff will be in every institution's best interests to ensure any timely transition will carry with it, not just well functioning programs, and assets, but trained, professional staff that the community recognizes and values.

While staff actively assess the legislation, associated impacts and plan to work with the Auditors, the Transition Board and colleagues in the local municipalities, a number of risks are being managed in this uncertain phase:

- Business continuity for all essential services to the 1.5 M residents of Peel and the over 175,000 businesses
- Supporting the psychological health and well-being of over 6500 Peel staff
- Collective bargaining for the 11 union contracts that are currently open for negotiations
- Managing staff retention to ensure service continuity
- Managing contracts with community partners and vendors, including those that, by necessity, must extend beyond January 1, 2025, to ensure uninterrupted provision of services
- Providing details to investors around financial stability
- Answering questions from multiple stakeholders including labour groups, businesses, and customers
- Ensuring transparent sharing of data with all municipalities if requested and an organized intake of requests.

Several immediate tactics are underway such as ongoing timely and transparent communication to all employees, customers, community partners, labour groups, investors and vendors.

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Staff believe that it would be helpful if the Transition Board makes early and obvious decisions (where possible) to allow employees to make informed decisions related to job security.

Other key tactics include:

### **a) Enhancing Psychological Health Benefits for Peel Staff**

The proposed dissolution of the Region of Peel has understandably triggered significant anxiety and stress amongst staff.

In consultation with the Regional Chair, the CAO has utilized authority delegated to him under Bylaw 1-2015 in situations of emergency, to increase employee psychological health benefits to \$2,500 in 2023 for eligible full-time employees whose current entitlements are not at this level.

These benefits will now match the existing amount provided to employees of the Cities of Brampton and Mississauga. Employees of the Town of Caledon receive \$1,000 per year. The psychological health benefits include services from psychologists, social workers, psychotherapists, clinical counsellors, and family therapists, and will provide enhanced supports to staff during this difficult time.

The increase is estimated at approximately \$460,000 for the balance of 2023, subject to actual use, and will be funded through the rate stabilization reserve.

### **b) Managing Community Partner and Vendor Arrangements**

Community partners and vendors are critical to the delivery of services in Peel.

Many of Peel's valued partners and vendors have been in contact with staff with questions and concerns arising from the proposed dissolution.

Communications have been developed and distributed to these parties, advising of the current situation, and providing assurances that there will be no service interruptions for residents, or the businesses served by Peel and that staff plan to continue working with Peel's community partners and vendors throughout the transition.

### **c) Assurances to Investors and Credit Rating Agencies**

Investors and credit rating agencies have contacted Peel staff with questions and requests for assurances in regard to debentures issued by the Region of Peel.

Staff continue to field questions and work with stakeholders to understand potential impacts to debenture holders arising from the dissolution of Peel.

In this regard, the proposed legislation does not include any provisions that adversely affect the rights of current debenture holders. Consistent with the *Municipal Act, 2001*, it is expected that new legislation will be enacted prior to January 1, 2025, that will provide that debentures of Peel that are outstanding on that date will become the joint and several obligations of the continued municipalities.

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Peel is holding a broad global investor call during the week of May 29 to assure investors that the security that backs the debentures has not changed notwithstanding the proposed legislation.

Debenture issuance of up to \$324.1M was planned for 2023, consistent with the 2023 Borrowing Limit Report approved by Council on February 23, 2023.

Regional net debt was \$1,270 M, inclusive of \$100 M debt for Peel Housing Corporation and the total net debt including local municipalities was approximately \$1,574 M as of December 31<sup>st</sup>, 2022.

In light of the proposed legislation and uncertainty, staff will review over the coming months the borrowing requirements and issuance plans from all four municipalities.

### **4. Maintaining Partnerships and Preparing for the Financial Audit & Transition Board**

Ongoing partnerships and communication with Ministry staff, elected officials, local municipalities, community partners, labour groups, investors and vendors will be crucial to ensure an effective transition with minimal impacts to employees, services, residents, businesses, and the community.

Regional staff are preparing to work with and ensure information and data is available for the Auditors and the Transition Board, when the requests are known.

To prepare for the transition, the Executive Leadership Team, together with their Directors, have developed principles for approaching the 2024 budget and existing workplans (Appendix II).

The proposed legislation provides that Peel and all three local municipalities must act in the public interest having regard to the contemplated municipal restructuring, and in a manner that does not unreasonably impact another municipality, when considering entering into any transaction, commitment, or agreement. This is an overarching principle.

Pursuant to the proposed legislation, all actions are subject to monitoring and review of the Transition Board. As such, the Principles in Appendix II for which Council endorsement is sought, is reflective of these legislative requirements.

To ensure uninterrupted continuation in the services delivered by Peel and an orderly transition of services, arrangements and agreements must be made that extend beyond January 1, 2025. In contemplation of transition, staff will make all efforts to ensure that any such new arrangements and agreements contain appropriate assignment and other provisions appropriate to the transaction, having regard to the municipal restructuring.

To align to the requirements of the legislation and manage risks, staff will be including a new section in all Council reports to ensure that the report identifies any impacts associated with Bill 112 and highlight any significant related risks.

Staff will also reflect on what decisions come forward to Council for clarity, even where delegated authority has been given.

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### **RISK CONSIDERATIONS**

Staff are actively assessing the legal, service, and contractual implications of this legislation and are proactively addressing these risks as outlined in this report. These will continue to be reported to Council as necessary.

### **FINANCIAL IMPLICATIONS**

The financial impacts are unknown at this time.

Staff will continue to deliver services as approved through the 2023 Budget and through previous approved Council reports and continue to review future investments and workplans through the lens of Bill 112.

Staff will also continue to assess financial implications on an ongoing basis as additional information and details are released and will report back to Council as appropriate.

### **CONCLUSION**

The significant task ahead of dissolving the Regional Municipality of Peel will be complex. Staff are ready to work with Ministry staff, the Auditors, the Transition Board, and colleagues in the local municipalities to ensure an effective transition, should it proceed, and to minimize service impacts on employees, residents, businesses, and the community.

Endorsement of the Principles for the 2024 budget and existing workplans identified in Appendix II will enable effective decisions to be made that will support the uninterrupted provision of services delivered by Peel and the orderly transition of such services as contemplated by the proposed legislation.

### **APPENDICES**

Appendix I - Bill 112

Appendix II - Principles to Maintain Regional Service through Transition Period and Prepare for 2024 Budget

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Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner of Corporate Services

*Authored By: Sherona Hollman, Director, Corporate Strategy & Performance*