
For Information

REPORT TITLE: **Economic Impact of the Global Pandemic on Peel's Economy**

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

OBJECTIVE

To update Regional Council on the economic impacts of the COVID-19 pandemic, anticipated demand in Regional services, advocacy efforts, financial implications and ongoing risks.

REPORT HIGHLIGHTS

- The COVID-19 pandemic triggered a global, national and provincial recession. The economic impacts have been significant in Peel.
 - Low income earners, visible minorities, women, youth and part-time workers are unequally impacted by the COVID-19 pandemic (due to job loss or decreased hours).
 - Contracting COVID-19 may be associated with the social determinants of health. This speaks to larger systemic issues that existed prior to this pandemic but are now amplified due to COVID-19; the interplay of multiple factors that impact the health of Peel residents.
 - Due to elevated unemployment rates, business closures, and increasing affordability challenges, an increase in the demand for Regional Services is anticipated.
 - The Region of Peel (Region) provides a range of supports for low income residents and the proposed 2021 Regional Budget includes investments to address the anticipated increase in demand.
 - The Region continues to face a number of risks including business closures and continued shift in property tax burden to the residential sector.
 - Federal and provincial debt may inhibit the ability to fund some municipal programs in the long-term.
 - Due to Regional advocacy efforts to secure funding, there is no significant impact on the Region's 2021 net tax levy budget resulting from the COVID-19 pandemic.
-

DISCUSSION

1. Background

The COVID-19 pandemic has impacted public health and the economic landscape at a global, national, provincial, regional and local municipal level. This pandemic has required a whole-of-government and whole of society response.

Economic Impact of the Global Pandemic on Peel's Economy

During this unprecedented global crisis, the federal government and the Ontario provincial government instituted measures to stop community transmission, preserve health system capacity and protect vulnerable populations or those who care for them. Peel's Medical Officer of Health also issued directives, in addition to the provincial measures, to protect Peel residents and prevent the spread of COVID-19 in the Region of Peel.

The COVID-19 pandemic triggered a global, national and provincial recession. The economic impacts have been significant in Peel. Please see Appendix I – Peel's Economic Bulletin for the visualization of the impacts.

2. Unequal Impact of the Pandemic on Some Peel Residents & Businesses

COVID-19 response measures during the first and now the second wave of the pandemic have significantly impacted small businesses. Industries such as restaurants, accommodation, arts, and entertainment were hard hit. Low income earners, visible minorities, women, youth and part-time workers make up a disproportionate percentage of those employed in these sectors and as a result are unequally impacted by the COVID-19 pandemic.

In Peel, 99 per cent of businesses are small business. Over 60 per cent of Peel residents work in Peel. In June 2020, 137,800 Peel residents lost their jobs and the unemployment rate more than doubled to 16.3 per cent in July 2020. The youth unemployment rate also doubled to a record high of 38.6 per cent in July 2020. These increases represent the highest unemployment rates recorded since Peel-specific data became available in 2006.

There is also evidence that contracting COVID-19 may be associated with the social determinants of health. The social determinants of health refer to social and economic factors such as income, education, race, ethnicity, gender, employment and working conditions that influence health outcomes. Visible minorities make up 63 per cent of Peel's population and disproportionately account for 85 per cent of Peel's COVID-19 cases. This speaks to larger systemic issues that existed prior to this pandemic but are now amplified due to COVID-19; the interplay of multiple factors that impact the health of Peel residents.

The pandemic may also be deepening further challenges such as housing affordability and food insecurity. The average price of a home sold in the residential resale market increased by 16.9 per cent in November 2020 compared to 2019 figures. Although 2020 data is not yet available for the rental vacancy rate, the decreasing trend over the last 10 years reveals higher rents in Peel and increasing affordability risks. With higher food prices since the pandemic and the surge in food bank demand, food insecurity may become more prevalent for many already vulnerable Peel residents.

3. Anticipated Increase in the Demand for Regional Services

Higher unemployment rates have been associated with a greater demand for Regional services such as Ontario Works (OW). During the 2008-09 recession, Peel's monthly average OW caseloads increased by 38.5 per cent.

The federal and provincial government have provided supports for businesses and residents facing hardships due to COVID-19. Please see Appendix II for a full listing of

Economic Impact of the Global Pandemic on Peel's Economy

all supports and programs. With these programs in place, Peel's OW caseloads continued to decline throughout 2020 and by November 2020, average monthly caseloads were 10.8 per cent lower than they were in November 2019. However, with elevated unemployment rates, business closures, increasing affordability challenges and ongoing changes to federal and provincial government support programs (or when these supports end), higher demand for income and housing supports is expected in 2021.

The Region and local municipalities also supported residents and local businesses through the deferral of property tax collections, and for water and wastewater, through a three-month deferral of the utility rate increase and a suspension of late payment charges for three months. The Region also provides a range of supports for low income residents, see Appendix III.

4. Advocacy Efforts Support Peel Outcomes

Early in the pandemic, Regional staff identified short, medium and long-term advocacy positions to support economic and fiscal recovery. These advocacy positions were shared with Regional Council at the June 11th Council meeting, as part of the Update and Management of the Financial Impact of COVID-19.

Securing federal and provincial funding for incremental costs and loss of revenue associated with the COVID-19 pandemic was critical to Regional advocacy efforts. The Region leveraged \$44.5 million in federal/provincial Safe Restart funding to cover 2020 COVID-related operating costs and lost revenues. As a result, there is no significant short-term impact on Regional revenues resulting from the COVID-19 pandemic. Regional staff also advocated for federal and provincial infrastructure funding to stimulate economic recovery. The Region has been allotted \$18.7 million under the COVID-19 Infrastructure Resiliency Stream and has submitted projects for funding through this stream.

The Region also supports the advocacy efforts of the City of Mississauga asking for the province to include cargo in the Payment in Lieu of Taxes (PILT) formula and eliminate the legislated 5 per cent cap on the GTAA PILT. Growth in PILT revenues is linked to passenger travel, which slowed significantly during the pandemic. Passenger activity at Pearson International Airport fell by 69.5 per cent during the first nine months of 2020.

If current legislation remains in place, PILT revenues will be depressed for years to come. Mississauga's ask would restore PILT revenues alongside the post-pandemic recovery of the travel industry. If the formula is left unchanged, the Region will see lower PILT revenues of \$6 million to \$8 million in 2022. The revenue loss will extend into the next decade or two if the current legislation remains in place.

5. Financial Implications in the Proposed 2021 Regional Budget

With the anticipated increase in the OW caseload, the proposed 2021 Regional Budget has included resources to respond to a higher average monthly caseload. There is no financial impact to the Regional budget as the Province is now responsible for 100 per cent of the subsidy costs. Peel does cost share 50 per cent of the administrative costs but no additional staff were requested in the budget.

Economic Impact of the Global Pandemic on Peel's Economy

The proposed 2021 Regional Budget also includes resources to implement the Region's \$1Billion Housing Master Plan (which existed prior to the pandemic) to operationalize the newly acquired shelter and to undertake a pilot program using financial incentives to develop additional affordable housing.

Many childcare providers in Peel continue to experience significant financial pressures as a result of the pandemic. Without financial support, some providers will close their doors in 2021 leaving Peel with a potential significant child-care shortage and leaving families without access to childcare in a time when childcare is essential to economic recovery. Staff will be providing additional information during the 2021 Budget presentation on potential support for the sector.

6. Ongoing Risks Facing Peel

The temporary halt in immigration slowed Peel's population growth to 0.5 per cent in the first half of 2020, compared with an average quarterly growth of 1.4 per cent in the preceding three-year period. While a temporary halt to immigration has limited impact, an extended period of this halt would negatively impact residential growth in Peel.

Prior to the pandemic, declining non-residential land consumption resulted in lost Regional development charge revenue of approximately \$871M from 2002 and 2019. The pandemic has triggered an acceleration of the pre-pandemic trend towards remote work and online shopping. This trend may further limit office and commercial developments and worsen shifts in the Region's property tax revenues away from the non-residential sector.

To date, growth-related revenues have not been impacted by the pandemic, but they continue to lag provincially forecasted levels. The Region has adopted a Capital Expenditure Deferral Strategy to better manage the timing of growth-related revenues and capital expenditures, while meeting service levels to support the Region's financial health.

The onset of the pandemic and associated measures to combat the spread will elevate some additional risks. Small businesses will suffer closures and increased bankruptcies. The expected increase in Peel's business bankruptcies will be better understood in the first half of 2021 when these bankruptcy data becomes available.

The lower interest rate environment has an impact on the Region's earnings rate. Earnings on Peel's capital reserves provides additional funding to maintain a state of good repair for Peel's significant infrastructure. The lower cost of borrowing will also result in lower interest payments on any new debt. As outlined in the 2020 DC Background Study, significant borrowing is anticipated to sustain Peel's growth infrastructure investments over the next four years.

Federal and provincial debt has increased substantially during this pandemic to over \$385B. This may inhibit the federal and provincial governments ability to fund municipal programs in the long-term. Inflation may also rise in the long-term and result in Canadians being unable to afford the same amount of goods and services that they can afford today.

Economic Impact of the Global Pandemic on Peel's Economy

Over the medium to long term, the Region will continue to advocate for a review of provincial/municipal funding, efforts to build a deeper understanding of the needs of municipalities and for diversified revenue tools to support community outcomes and municipal financial sustainability.

CONCLUSION

Small businesses in Peel, lower income earners, visible minorities, women, youth and part-time workers are unequally impacted by the COVID-19 pandemic. Larger systemic issues are amplified due to COVID-19 and there are a number of risks facing Peel in the short, medium and long term. Regional staff will continue to advocate, leverage strategies and make investments to support the betterment of Peel community outcomes.

APPENDICES

Appendix I - Peel's Economic Bulletin

Appendix II - Supports provided by the Federal and Provincial Governments to Individuals and Businesses

Appendix III - Low-income Assistance Programs Provided by the Region of Peel

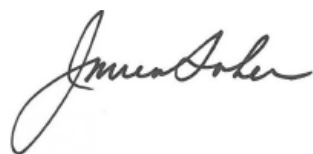
For further information regarding this report, please contact Judith McWhinney, Regional Economist at Judith.McWhinney@peelregion.ca and Sherona Hollman, Manager, Financial Policy & Strategic Initiatives at Sherona.Hollman@peelregion.ca

Authored By: Judith McWhinney, Regional Economist, Sherona Hollman, Manager, Financial Policy & Strategic Initiatives & Iffra Ismail, Economics Insights and Outlook Analyst

Reviewed and/or approved in workflow by:

Department Commissioner and Division Director.

Final approval is by the Chief Administrative Officer.



J. Baker, Chief Administrative Officer