

October 7, 2021

The Honourable Peter Bethlenfalvy
Minister of Finance
Frost Building South, 7th Floor
7 Queen's Park Crescent
Toronto, ON M7A 1Y7

Dear Minister Bethlenfalvy,

Nando Iannicca
Regional Chair & CEO

10 Peel Centre Dr.
Suite A, 5th Floor
Brampton, ON L6T 4B9
905-791-7800 ext. 4310

Further to our discussion during the recent AMO Conference in August, I am writing to you to reiterate the urgent need to address the negative impacts that the current payment in lieu of taxes (PILT) formula for the Greater Toronto Airports Authority (GTAA) are having on the Region of Peel and the City of Mississauga and to ask your government to amend the formula, specifically eliminating the current 5 per cent cap and reducing the payment calculation lag from two years to one.

The current prescribed cap has been problematic since it was enacted in 2001. Despite many years of advocacy, the legislation has not yet been amended. Between 2007 and 2021, the 5 per cent cap created a PILT deficit of \$27 million for the Region of Peel and City of Mississauga as passenger volumes at Toronto Pearson have regularly increased by more than 5 per cent annually. This situation was not ideal but was manageable. Given the impacts of the COVID-19 pandemic on air travel, this is no longer the case.

With the significant decrease in passenger volume at Toronto Pearson International Airport, the City and Region are facing drastic revenue decrease in 2022 and beyond. Based on the current formula, the recovery of PILT to pre-COVID-19 levels would take 35 years assuming the passengers volumes resume to the 2019 level by 2026. Over that time period, the cumulative revenue loss to the Region of Peel and City of Mississauga is estimated to be in excess of approximately \$750 million due to the 5 per cent cap.

The 5 per cent cap, coupled with the sudden decrease in passenger volume, create significant budgetary pressure and there is not much room at the municipal level to cushion this shock in the near to medium term - the projected annual revenue loss for the next 15 years alone amounts to \$22 million and \$9 million for the City of Mississauga and Region of Peel respectively. The averaged annual revenue loss is estimated at \$15 million for Mississauga and at \$6 million for the Region over the next 35 years. That is equivalent to approximately 4 per cent budget increase on the City of Mississauga's tax bill and approximately 0.6 per cent budget increase for the Region of Peel.

REFERRAL TO _____
RECOMMENDED _____
DIRECTION REQUIRED _____
RECEIPT RECOMMENDED ☒ _____

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Regional Chair & CEO

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Based on current GTAA projections, passenger volumes are expected to return to 2019 levels by 2026. While Toronto Pearson recovers at a rapid pace, the 5 per cent cap will severely constrain the Region's and City's recovery. It is fair that PILT should decrease when airport revenues are impacted by challenging circumstances, however when they recover, we should as well – at the same pace. The current formula prevents this and will put a tremendous strain on our operating budgets for decades to come.

While other municipalities will recover from COVID-19, in part using provincial safe restart funding, Mississauga and the Region will continue to bear an undue and difficult financial burden. It will result in a reprioritization of capital projects and investments, the very priorities we need to properly recover from the pandemic, create jobs, and stimulate the economy.

We have made every effort to work directly with the GTAA to address this challenge, but there does not appear to be a resolution that will allow Mississauga and the Region to recover adequately. We agree that the financial situation facing Toronto Pearson is difficult and we continue to advocate to the federal government for assistance for the airport. However, we do not believe it is a municipal responsibility to financially support a private organization, especially when we are grappling with unprecedented deficits and the continued impacts of addressing the COVID-19 pandemic.

We are certainly not the only municipalities facing this challenge. I understand that the cities of Ottawa, London, and Thunder Bay have been advocating for the same changes as the Region and City. With this in mind, we ask that you consider our request and take action to eliminate the 5 per cent cap and reduce the payment from two years to one, as soon as the upcoming Fall Economic Statement. As you can appreciate, we are well into our 2022 budget planning and addressing this concern will provide welcomed relief and certainty about the future.

Thank you for your consideration. As always, we are available to discuss our position and answer any questions you may have.

Kindest personal regards,



Nando Iannicca
Regional Chair and Chief Executive Officer
Region of Peel

cc: Peel MPPs