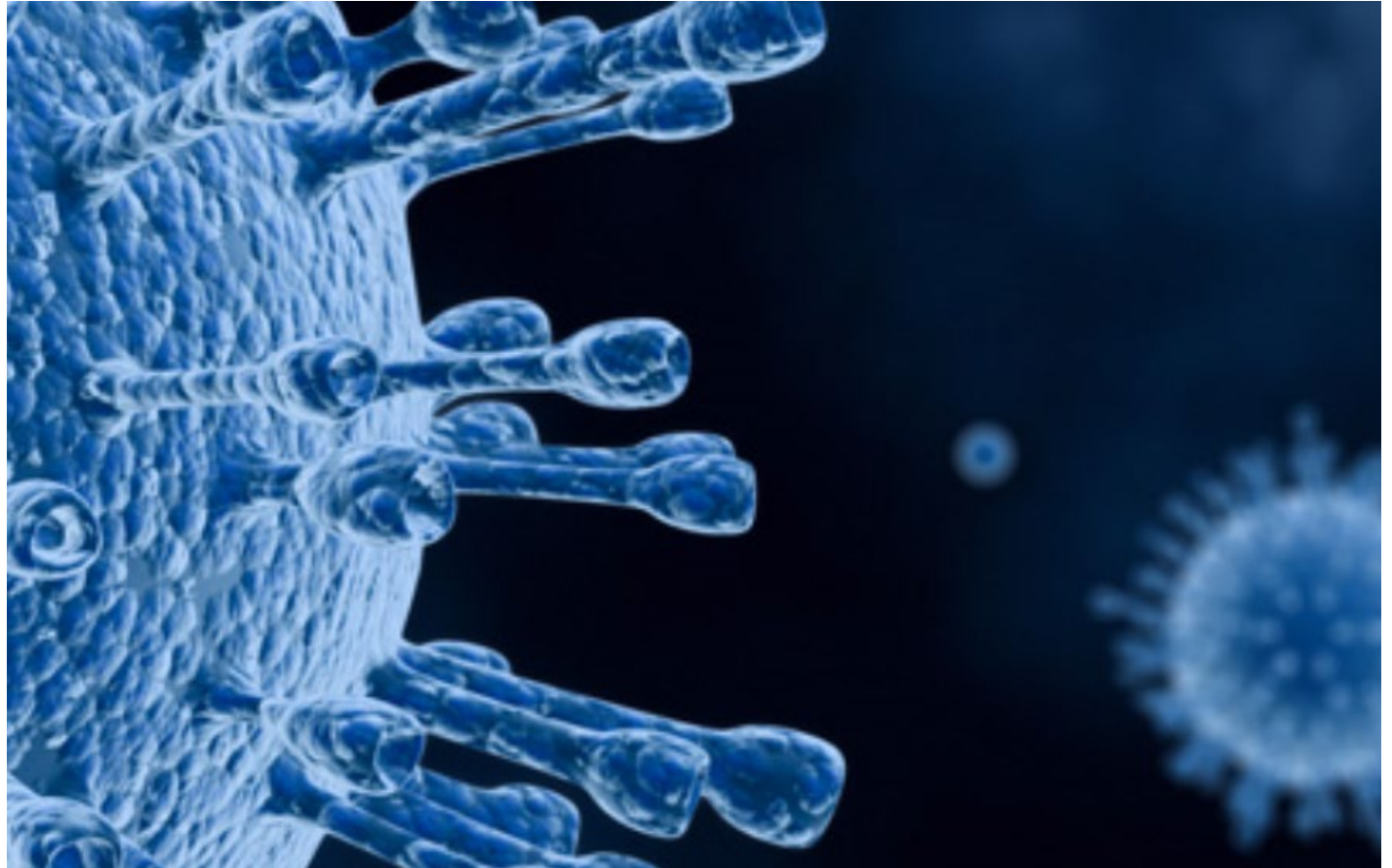
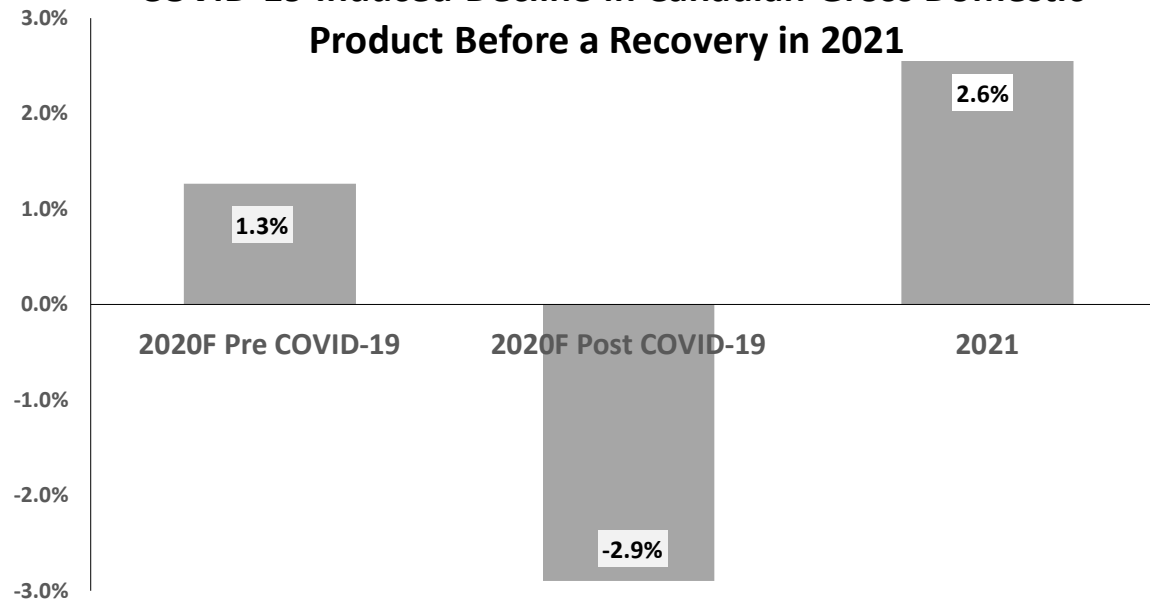

COVID 19: Understanding the Financial Implications

Presented to Council
April 9, 2020

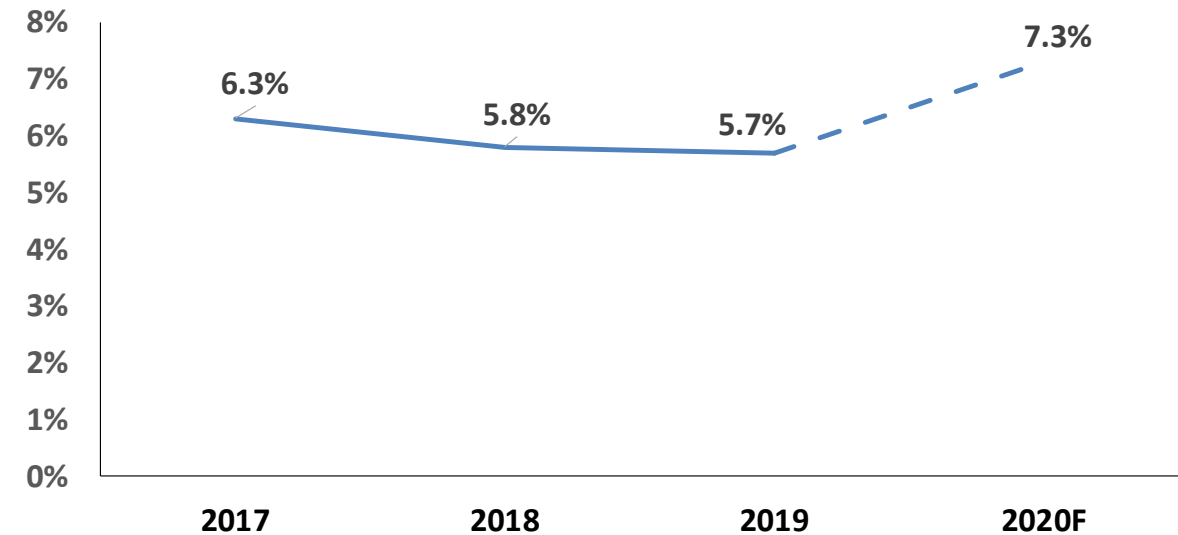


COVID-19 Induced Decline in Canadian Gross Domestic Product Before a Recovery in 2021



Source: Statistics Canada;; Private sector Forecasts; Ontario Ministry of Finance

National Unemployment Rate to Rise

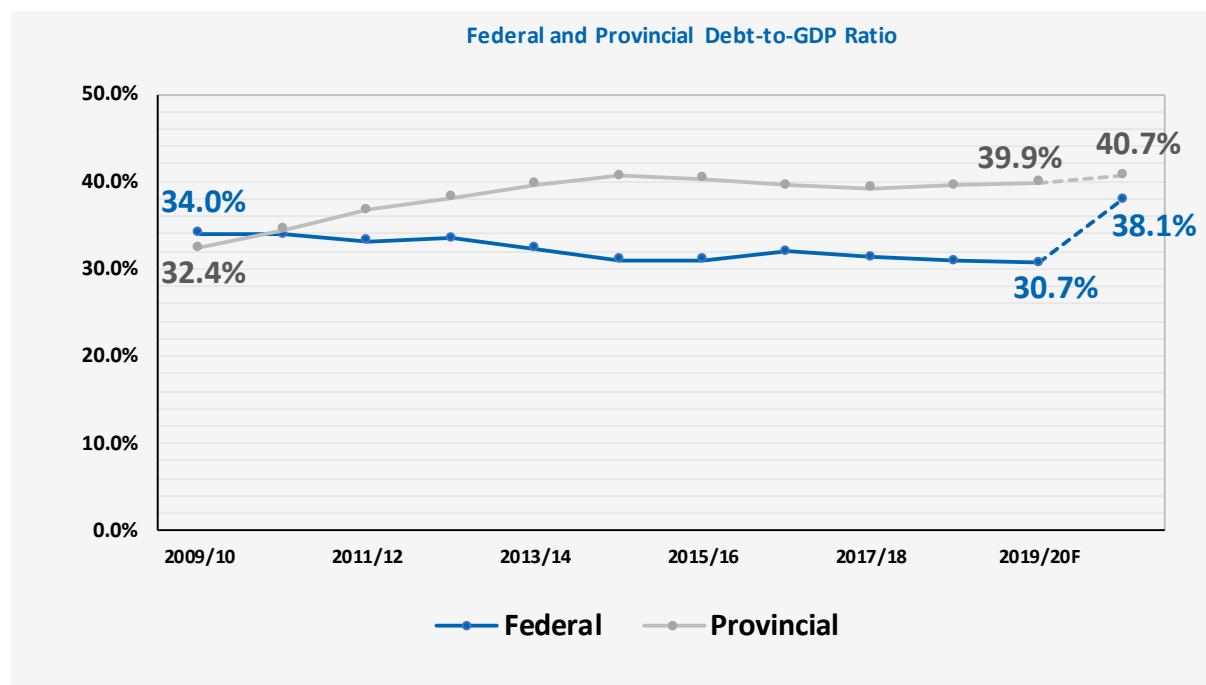


Source: Statistics Canada;; Private sector Forecasts; Ontario Ministry of Finance

Economic Impact

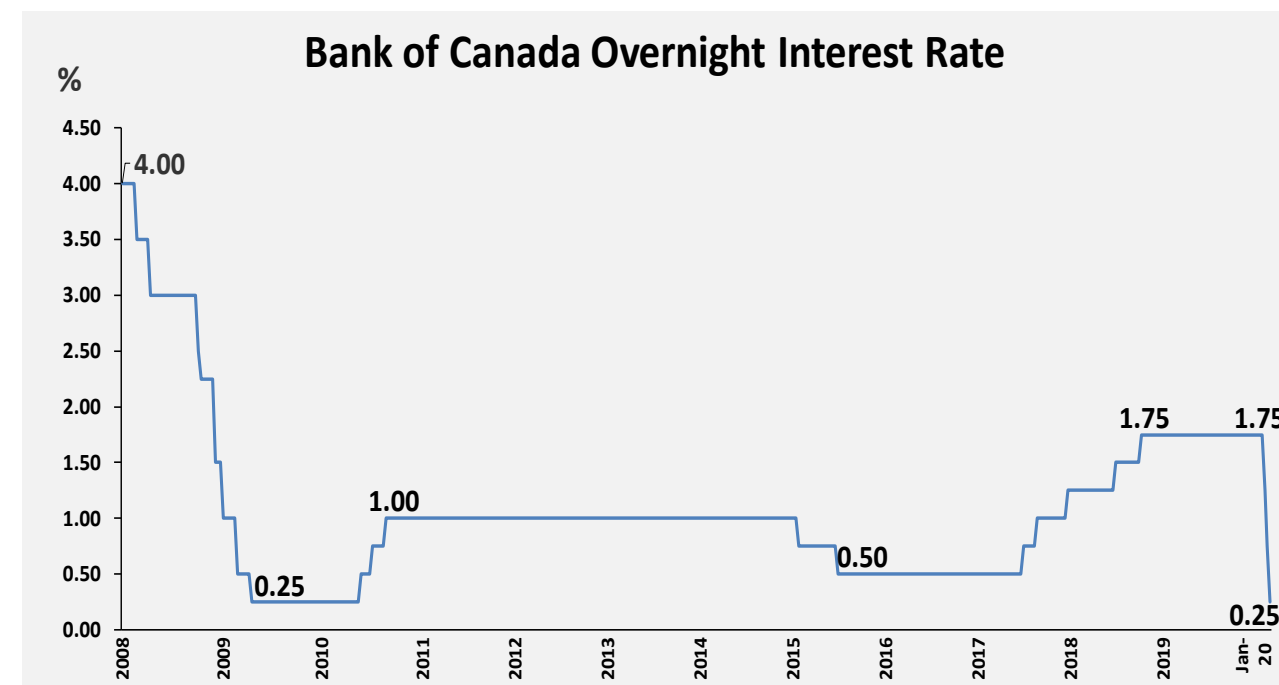
Higher Public Debt Lower interest Rates

Highest Federal Debt-to-GDP Ratio Since 2003-04



Source: Parliamentary Budget Office; Ontario Ministry of Finance

A Return to Historic Low Interest Rate



8.2-3

Source: Bank of Canada

MOODY'S

- “G-20 economies to experience an unprecedented shock in the first half of this year and contract in 2020 as a whole, before picking up in 2021.” - ***Moody's Rating Agency***



- “Our analysis suggests a sharp decline in GDP can be expected in Q1 followed by a steeper drop of over 30% annualized in Q2 before subsequent rebound in the second half of the year.” - ***Krishen Rangasamy, National Bank***



- “The COVID-19 economic shock will initially be deeper than the worst quarter of the Great Recession.” - ***Canadian Imperial Bank of Commerce (CIBC)***



- “The result [*of current social distancing*] is a much deeper and longer-lasting hit to economic activity in Canada. Instead of growing 0.3 per cent as in our baseline forecast, real GDP is now forecast to contract by 1.1 per cent in 2020.” - ***Conference Board of Canada***



- “Job losses in Canada to be almost 3 times that of The Great Recession.” - *Royal Bank of Canada*



- “The Canadian unemployment rate could spike to over 9% by summer 2020.” - *Canadian Imperial Bank of Commerce (CIBC)*



- “Canadian job loss of over 330,000 in Q1 and Q2 2020 and Canadian unemployment rate to increase to 7.7% in 2020.” - *Conference Board of Canada*

\$255 billion and counting

Supports for Residents

- Enhanced Canada Child Benefit \$300 per child for 2019-2020 period
- Introducing the new Canada Emergency Response Benefit, \$2,000/month up to 4 months
- One time payment by May 2020 for low and modest income families through Special Goods and Services Tax Credit

Supports for Businesses

- Providing 75% small business wage subsidies up to \$847/week up to 3 months
- Introducing a Business Credit Availability Program through Business Development Bank of Canada and Export Development Canada
- Deferral of Sales Tax Remittance and Customs Duty Payments to June 30, 2020

\$17 billion and counting

Supports for Residents

- Doubling the Guaranteed Annual Income System maximum payment, from April 2020
- Providing parents of young children with a one-time payment of up to \$250
- Expanding access to the emergency assistance program administered by [Ontario Works](#)
- Providing electricity cost relief and expanding Low-Income Energy Assistance Program

Supports for Businesses

- Providing five-month interest and penalty relief for businesses
- Providing financial relief through Workplace Safety and Insurance Board, allowing employers to defer payments up to six months
- Providing a temporary increase to the Employer Health Tax exemption, for 2020

Short-Term: 1 Year

- Minimal population growth
- Steep decline in business activities
- Increase in unemployment rate
- Increase in Ontario Work's caseloads
- Decline in building permits
- Decline in housing starts
- Decline in labour force and employment
- Increased bankruptcies

Medium-Term: 2-3 Years

- Slow population growth
- Increase in business activities
- Elevated unemployment rate
- Increase in OW caseloads
- Gradual increase in construction activities
- Significant increase in labour force and employment
- Small decline in business establishments

Long-Term: 4-5 Years

- 1.0% population growth
- Growing business sector
- Decline in unemployment rate
- Decline in OW caseloads
- More buoyant construction activities
- Growing labour force and employment



Living:

People's lives are improved in their time of need.

\$900 million

\$43 million



Thriving:

Communities are integrated, safe and complete.

\$1.47 billion

\$982 million



Leading:

Government is future-oriented and accountable.

\$195 million

\$33 million

\$3.7

billion invested
in services that advance
and support Council's
current term priorities and
longer term outcomes

\$2.6 billion
Operating Budget

\$1.1 billion
Capital Budget

Expenditures

Many Higher Expenditures but Some Lower

Direct Costs:

Paramedic Services, Long Term Care, Public Health	More Personal Protective Equipment, Cleaning
Homeless Shelters	Recovery, Isolation, Drop-in programs
Staffing related	Overtime, back-fills, vacancies
Income Support	Increasing caseload
Child Care	Centre closures, daycare for essential workers

Indirect Costs:

Community Response Table	Grants to agencies - \$1 million
Affordable Housing	Deeper subsidies required
Technology	Enabling remote work e.g. increased bandwidth
Commodity prices	Decreased unit price and consumption for energy
TransHelp	Decreased ridership - \$659K/month savings

Tax Supported Services:

Investment Income	Lower interest earnings
User Fees	TransHelp - \$220K/month Adult Day fees - \$61K/month
Property tax relief	\$2.8 - \$3.4 million

Utility Rate Supported Services:

Lower Industrial Consumption	Non-essential businesses closed; lower consumption
Deferred 2020 increase	\$4.6 million
Late penalty relief	\$650,000

Development Charges

Fewer applications for development

Accounts Receivable

90 day collection deferral \$10K

Funding	Status
Public Health	<ul style="list-style-type: none">▪ Scheduled increase in municipal cost share has been postponed▪ Economic Statement - \$ TBD
Long Term Care	<ul style="list-style-type: none">▪ No formal announcements yet - received \$375K
Paramedics	<ul style="list-style-type: none">▪ No formal announcements
Housing Support	<ul style="list-style-type: none">▪ Allocation of Social Service Relief Fund \$6M
Child Care	<ul style="list-style-type: none">▪ Flexibility to use existing funding for COVID costs \$ TBD
Homelessness	<ul style="list-style-type: none">▪ Reaching Home \$5.8M for the homeless shelters
Employment Support	<ul style="list-style-type: none">▪ Flexibility to use existing funding for COVID costs \$0.2M

Grants and Subsidies

\$651M, **25%**

Utility

\$443M, **17%**

Fees & Charges

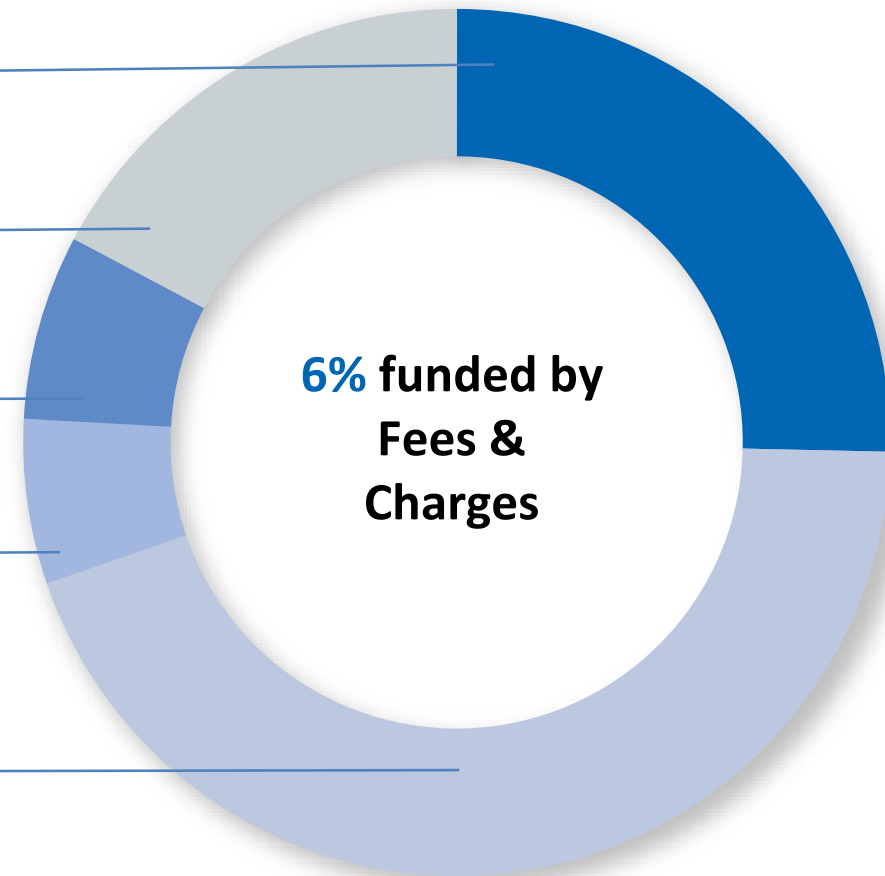
\$158M, **6%**

Other

\$178M, **7%**

Property Tax

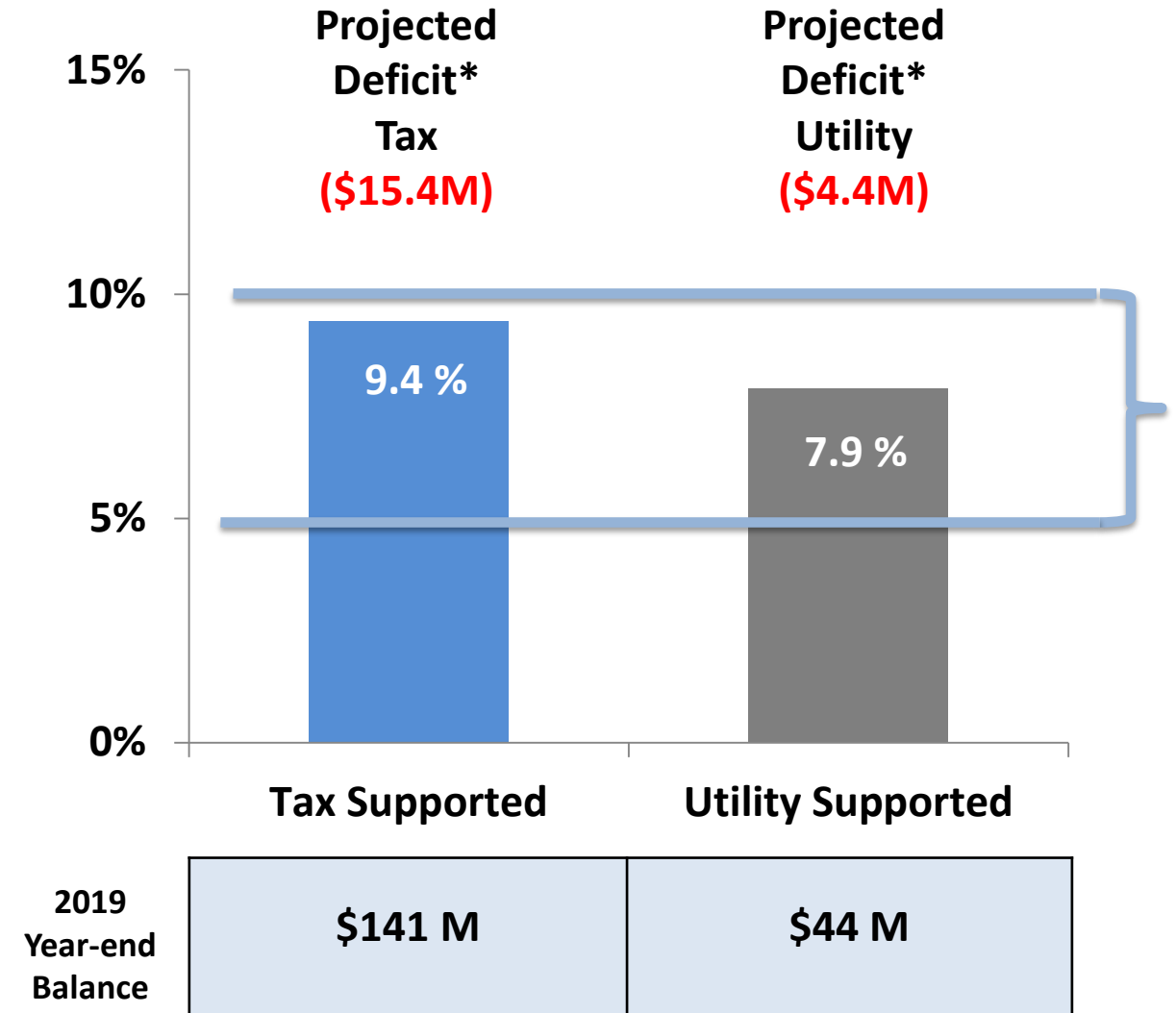
\$1,141M, **45%**



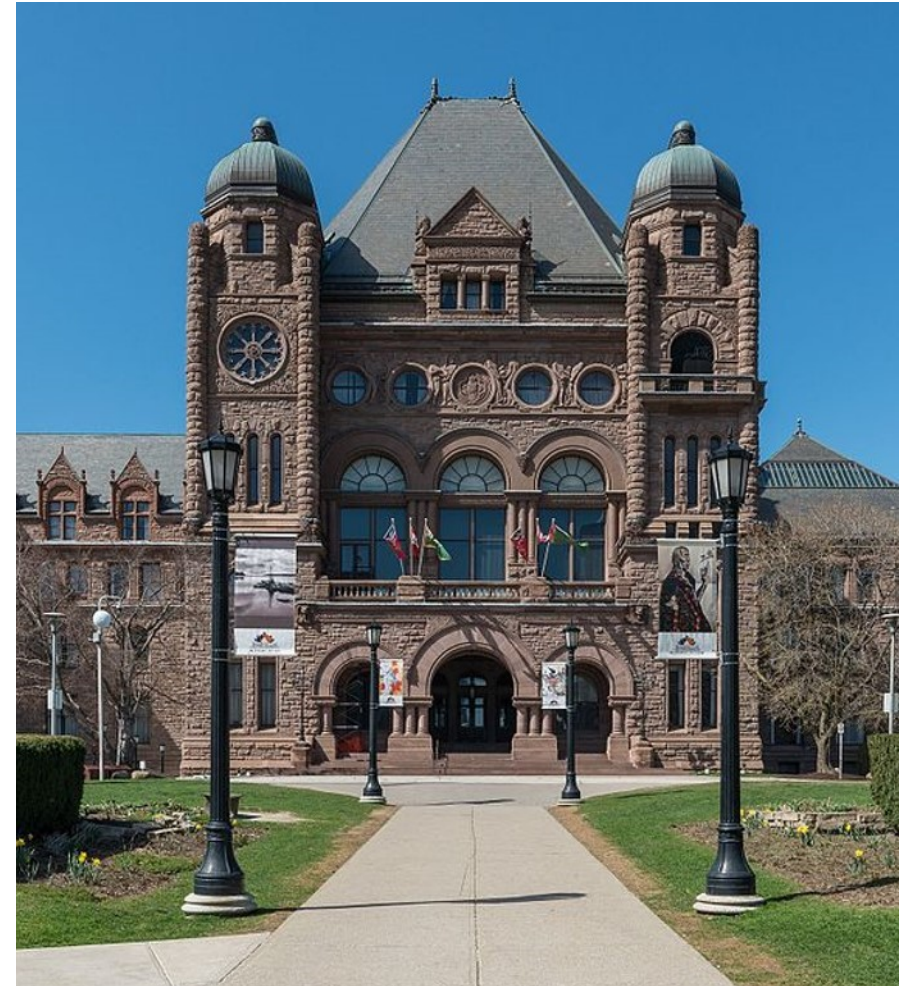
Financing Impact of COVID

- Duration and extent of economic impact is uncertain
- Sufficient cash for the short to medium term
- Stabilization reserves adequate in short term
- Provincial and Federal funding – like SARS – **required soon**

Leverage Financial Flexibility

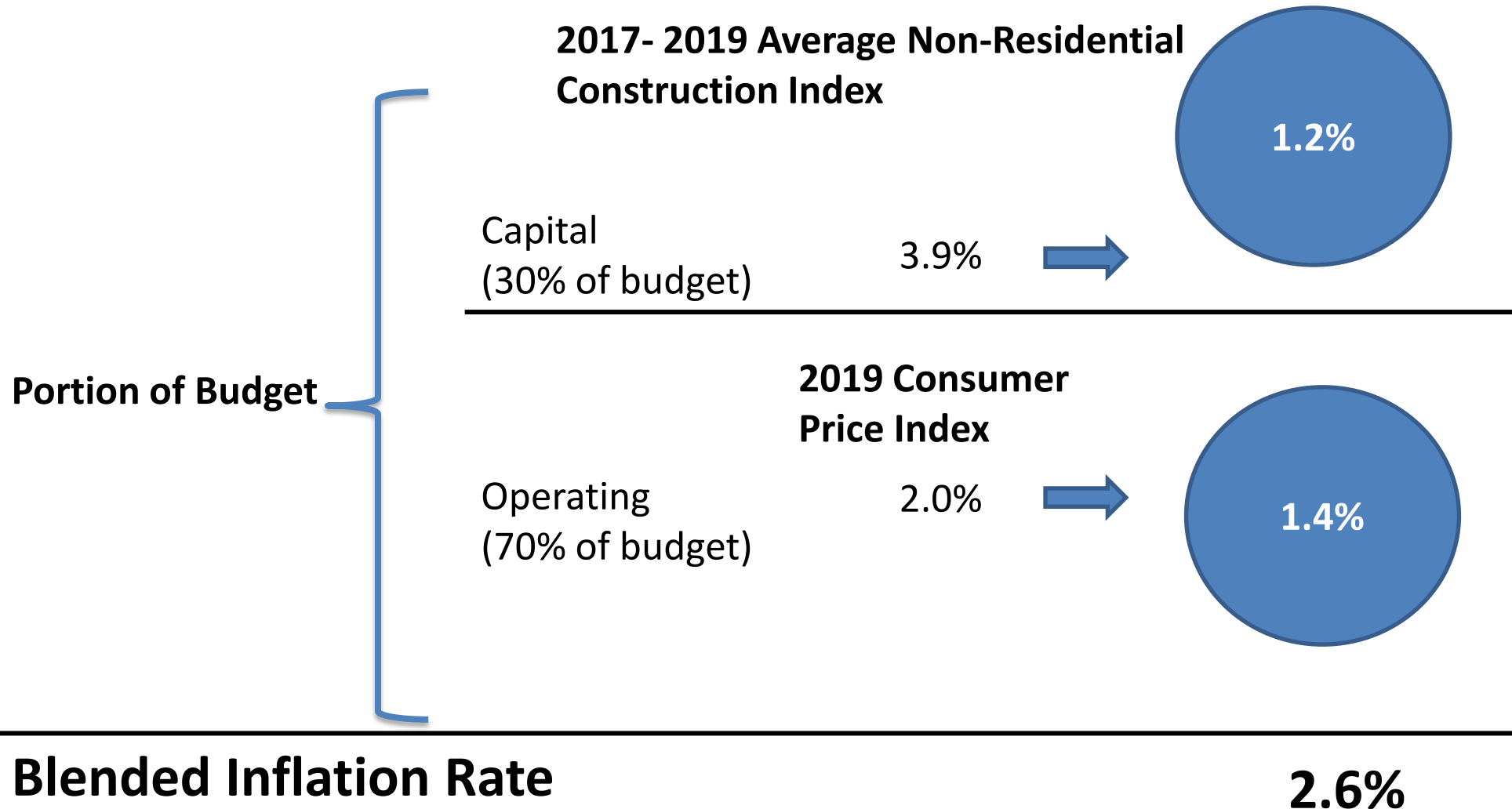


- *Municipal Act, 2001*
 - Can't budget for a deficit but could finish the year with a deficit
 - Deficits must be funded at year end or recovered in the next budget
- Significant deficits could impact future service levels
- Municipalities require additional flexibility



Property Tax Increases in Line with Inflation

Effective Inflation is higher than CPI



2021 Budget

- Provincial Budget won't be announced until Fall 2020
- 2021 budget to recognize the economic impact on residents and businesses

No Budget Target Proposed



Proposed Budget Deliberation Meetings:

Thursday, November 12 – Budget Overview and Regionally Controlled Service Presentations

Thursday, November 19 – External agencies

- Peel Regional Police
- Ontario Provincial Police
- Conservation Authorities:
 - Conservation Halton
 - Toronto & Region Conservation Authority
 - Credit Valley Conservation Authority

Thursday, November 26 – Continuation of Budget deliberations

Thursday, December 3 – Continuation of Budget deliberations

Living



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in their time of need.

Thriving



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Leading



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Questions?