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**REPORT TITLE: Federal Funding Support for Municipalities**

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

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## **RECOMMENDATION**

**That the Federal government be encouraged to move quickly with additional direct funding support to municipalities to address the COVID-19 pandemic fiscal pressures and to stimulate economic recovery;**

**And further, that a letter be sent from the Regional Chair, on behalf of Regional Council, to the Federation of Canadian Municipalities (FCM), the Association of Municipalities of Ontario and to all Members of Parliament (MPs) for support in expediting federal funding;**

**And further, that a taskforce consisting of the Region of Peel, Cities of Brampton and Mississauga and the Town of Caledon Chief Administrative Officers and Chief Financial Officers be established to develop a needs-based allocation model for additional federal gas tax funding.**

## **REPORT HIGHLIGHTS**

- The COVID-19 pandemic has significant financial impacts on both the Region of Peel (Region) and the Cities of Brampton and Mississauga and the Town of Caledon (local municipalities).
  - On April 9, 2020 Regional staff estimated the 2020 operating impact to be approximately \$20 million.
  - Since 2005, the Region and local municipalities applied a formula to allocate federal gas tax funding to support local infrastructure needs.
  - To stimulate economic recovery, it is anticipated that the Federal government will release stimulus and recovery funding through the federal gas tax funding model.
  - New Federal funding may include criteria for how stimulus and recovery funding can be utilized by municipalities.
  - Regional staff recommend the development of a taskforce (consisting of Regional and local municipal Chief Administrative Officers (CAOs) and Chief Financial Officers (CFOs) to establish a needs-based approach for additional federal gas tax funding.
  - A needs-based approach would assist both the Region and the local municipalities to effectively recover from the pandemic.
  - The taskforce could be called the COVID-19 Pandemic Recovery Taskforce.
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## **Federal Funding Support for Municipalities**

### **DISCUSSION**

#### **1. Background**

COVID-19 has significantly impacted the economic landscape at a global, national, provincial, regional and local municipal level. Both the Region and local municipalities have been financially impacted. As the pandemic continues, the significant fiscal impact on all municipalities continues to grow.

At the April 9, 2020, Regional Council meeting, an oral update was presented by the Commissioner of Finance and Chief Financial Officer, regarding Peel's financial impact associated with the COVID-19 response (including financial supports to residents and businesses) was estimated at approximately \$20 million.

Municipalities require federal and provincial financial support to cope with the fiscal challenges during this unprecedented time.

#### **2. Federal Gas Tax Fund**

Federal gas tax funding is provided to municipalities to support local infrastructure needs. The Association of Municipalities of Ontario (AMO) administers the program and distributes the funds to Regions and local municipalities.

The local municipalities in Peel receive their own share of federal gas tax funding from the Federal government, and in addition, the Region shares 83 per cent of the Regional allotment of federal gas tax funding with the local municipal partners.

Since 2005, this has translated to the Region distributing \$416.3M of federal gas tax funding to the Cities of Brampton and Mississauga and the Town of Caledon. The primary purpose of the Region reallocating federal gas tax funding to the local municipalities was to support transit infrastructure investments.

#### **3. Federal Financial Support for Municipalities**

The Federal government is considering funding mechanisms to support municipalities with fiscal challenges arising from the pandemic as well as additional stimulus funding to promote an economic recovery. At the time of writing this report, it is unclear what criteria would be released with any additional funding.

To enable the economic recovery for both the Region of Peel and the local municipalities, Regional staff recommend the development of a taskforce (consisting of Regional and local municipal CAOs and CFOs) to establish a needs-based approach for allocating additional federal gas tax funding. If the Federal government provides criteria for the funding, it would be foundational for decision making by the taskforce. The taskforce could be called the COVID-19 Pandemic Recovery Taskforce.

## Federal Funding Support for Municipalities

### RISK CONSIDERATIONS

If a needs-based approach is not adopted, there could be significant financial risks to the Region of Peel's and the local municipal capital and operating budgets. This could impede critical infrastructure projects and the ability to deliver on community outcomes. A needs-based approach would ensure adequate stimulus funds to best meet the fiscal demands of both the Region and the local municipalities in the recovery phase of this pandemic.

### FINANCIAL IMPLICATIONS

The Region of Peel is facing several financial pressures as a result of the COVID-19 response and the economic fallout from the pandemic including, an estimated \$20 million operating deficit, capital infrastructure funding gap, lower investment returns, and significantly lower development charge revenue projections (early estimates indicate that it could be in the range of \$400M over the next 2 years). Additional Federal funding would assist in alleviating some of Peel's financial challenges and assist in the economic recovery.

Regional staff continue to model the impact of COVID-19 and will bring forward a report to the May 14, 2020 Regional Council meeting with an update on the estimated financial impact.

### CONCLUSION

The COVID-19 pandemic has negatively impacted the Region and the local municipalities. Federal funding is necessary to support the unprecedented challenges faced by the economy and by municipalities. A partnership approach to the recovery stage will be essential to enable both Regional and local municipal financial and community outcomes.

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*For further information regarding this report, please contact Sherona Hollman, Manager Financial Policy & Strategic Initiatives, [sherona.hollman@peelregion.ca](mailto:sherona.hollman@peelregion.ca), 905-791-7800 ext. 7285.*

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#### ***Reviewed and/or approved in workflow by:***

Department Commissioner and Division Director.

Final approval is by the Chief Administrative Officer.



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N. Polsinelli, Interim Chief Administrative Officer