Risks to the Capital Program and Financial Flexibility from COVID 19

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July 23, 2020

Region of Peel
working with you

Overview

- Impact of COVID-19 on:
  - planning and growth
  - development charge revenues
- Capital program and service level risks
- Risks to cash flow and financial flexibility
- Actions to mitigate risks
- Summary

Growth Expected to be Slower

Assessing Development Impacts

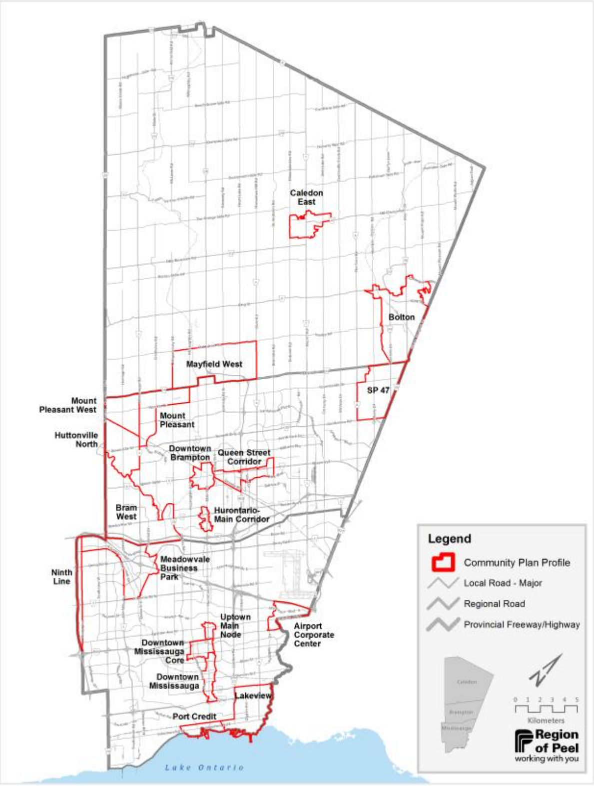
Growth Forecast

CUSHMAN & WAKEFIELD — *Potential Impact Of Covid-19 Crisis On New Non-residential Development In Peel Region*

HEMSON — *Residential and non-residential unit / floor space growth forecasts, 2020–2030*

- Recovery beginning 2021 with growth normalizing to pre-recession levels after 2024
- Single and semi-detached units to experience the greatest impact
- Retail sector to be most significantly impacted (reduced by 14 to 34%) followed by office (reduced by 7-24%) with industrial least impacted (reduced by 2-15%)
- Local municipal impacts vary depending on residential unit type and employment type

Community Level Analysis



150 Total Community Planning Areas in Peel

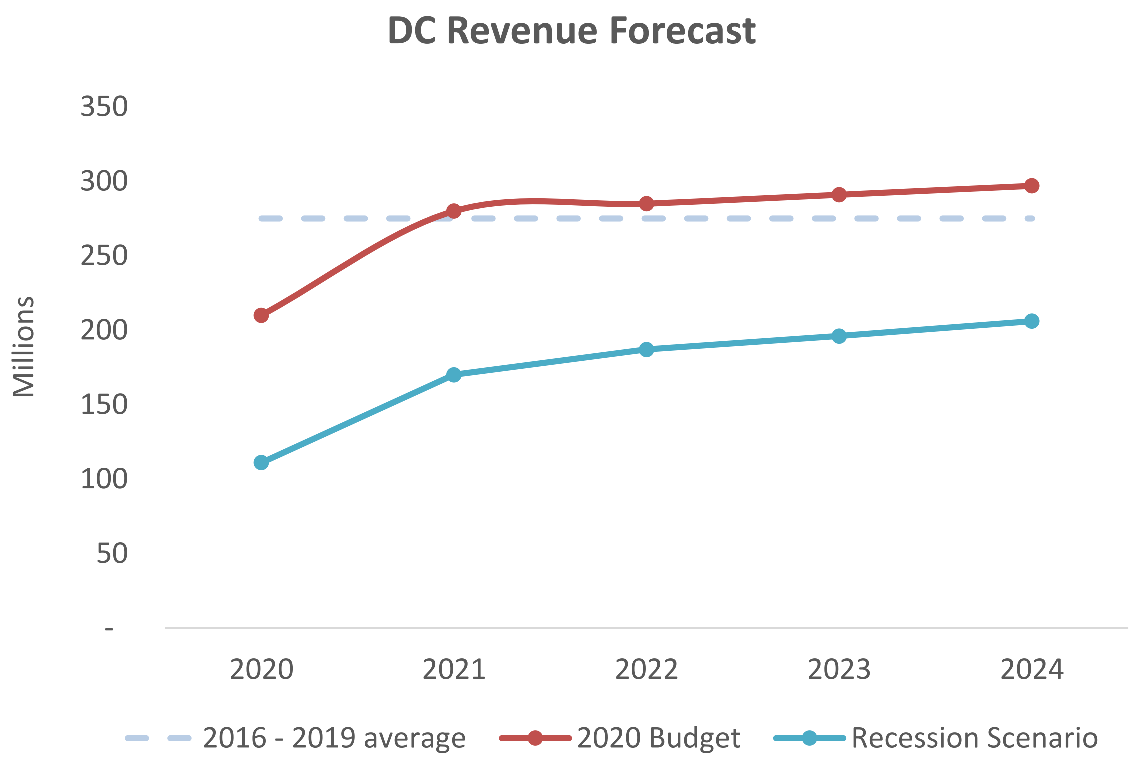
20 Community Planning Areas selected in this review

- Non-residential growth is at risk of not meeting forecast target
- Designated greenfield areas are trending below forecast, while built-up areas are more closely aligned with forecast

8.3-10

Impact of COVID

Forecasted Decrease of $600-700 million in DCs

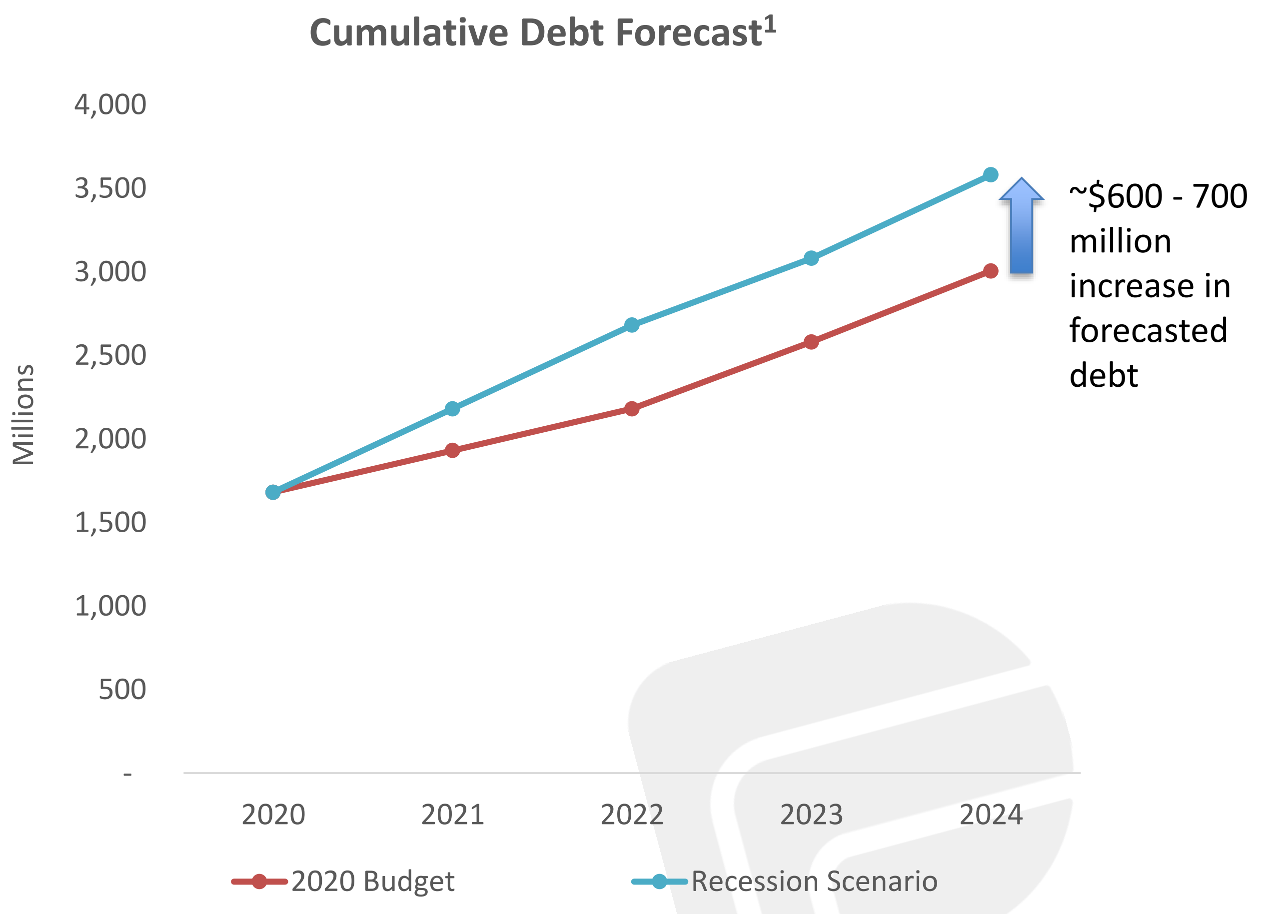


- Reduced DC revenues due to impacts of COVID-19 – $600-700M reduction from 2020-2024
- Impact more significant in 2020 and 2021
- Revenues expected to normalize to pre-recession levels after 2024

Impact of COVID

Financial Flexibility Risks

- With no change to planned annual expenditures, coupled with lower DC revenues increases debt requirements
- Pressure on cash flows
- Increased debt requirements reduce financial flexibility and sustainability
- Pressure on the Region's Triple A credit rating



[1]*Total Outstanding Gross Debt*

8.3-12

Aligning Spending to the DC Forecast

- Took an in-depth look at what could be deferred without impacting the community
- Aimed for a balance between financial need and service risk
- Will continue to closely monitor growth and infrastructure and adapt deferrals to suit

Capital Program	Program Area	Deferral Timing	Capital Budget Deferred
Water	Facilities (pumping stations and reservoirs)	1-year	$55M
Water	Linear Pipelines	1-year	$374M
Wastewater	Linear Pipelines	1-2 years	$135M
Wastewater	Inflow & Infiltration – Diversion and Local Improvements	1-2 years	$45M
Transportation	Road Improvements	1-2 years	$205M

Impact of COVID

Capital Program Risks

RISKS of current deferral strategy

1. Plan assumes that some development ***will*** be delayed.
2. Deferrals may result in existing infrastructure operating close to, or above capacity.
3. Some deferrals allow for “just in time” delivery
4. Some key strategic improvement work will be deferred ex. *Inflow and Infiltration*
5. Coordination with local municipalities requires review

Any additional deferrals ***could*** lead to:

- Service level impacts which are not acceptable
- Requiring a cancelation of active construction projects

Summary

- Staff propose expenditure reduction of $600-700M between 2020-2024 to align to expected DC revenues and reduce impact on debt
- Overall objective is to maintain the Region's financial flexibility and ensure growth pays for growth
- Capital review will be revisited regularly as more information is obtained on economic recovery

Questions