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**Subject:** Written Submission to the Standing Committee on Finance and Economic Affairs - July 2020

Good afternoon,

Please find the attached written submission for the Standing Committee on Finance and Economic Affairs' study of the recommendations relating to the Economic and Fiscal Update Act, 2020 and the impacts of the COVID-19 crisis on certain sectors of the economy.

Thanks,

Keith

**Keith Medenblik**

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## **Submission to the Standing Committee on Finance and Economic Affairs**

Regarding recommendations relating to the Economic and Fiscal Update Act, 2020  
and the impacts of the COVID-19 crisis on certain sectors of the economy

**Regional Municipality of Peel**

**July 2020**

# Region of Peel Submission on the Impacts of COVID-19

## Introduction

The COVID-19 pandemic has had an unprecedented impact on everyone – individuals, families, businesses, the non-for-profit sector and government. As the level of government that most closely impacts its residents, municipalities will need to play a central role in Ontario’s recovery. Ontario’s municipalities, including the Region of Peel, will require support from senior levels of government to address these impacts. The Region appreciates being part of this dialogue to chart a path to recovery.

## The Economic Impacts of COVID-19

The COVID-19 pandemic has significantly affected the broader economy. Measures to reduce the spread of the virus such as self-isolation and physical distancing, as well as the temporary closures of non-essential businesses, have slowed down economic activity and resulted in a recession.

Wide-ranging economic impacts of COVID-19 on Peel include:

- **A halt in immigration:** COVID-19 is expected to temporarily interrupt population growth trends, constraining growth in many areas of the economy (e.g. Residential construction).
- **Business closures:** COVID-19 will likely result in a rise in business insolvencies in Peel in the short to medium term. While some sectors have been affected more than others, Accommodation and Food Services, and Retail Trade are two of the most affected.
- **Elevated unemployment rates:** As of June 2020, approximately 137,800 Peel residents lost jobs due to COVID-19 closures, and Peel’s unemployment rate rose to a new high. As a result, Peel’s 3-month average unemployment rate was 15.7 per cent in June 2020, representing the highest rate since Peel-specific data became available in 2006. The youth (15-24 years) unemployment rate rose 36.2 per cent during the same period.

To support residents and businesses dealing with these economic impacts, the Region, alongside its three local municipalities (Brampton, Caledon and Mississauga), implemented several broad and specific measures including the deferral of property tax collection, deferral of the utility rate increase and the waiving of interest and penalties.

## The Fiscal Impacts of COVID-19

COVID-19 has also had detrimental impacts on financial health of municipalities, including the Region of Peel.

# Region of Peel Submission on the Impacts of COVID-19

The Region faces an estimated \$39 million operating deficit for 2020 largely driven by an increase in operating costs of \$67 million for critical frontline services such as Housing, Paramedic Services, Long Term Care, Public Health and Homelessness Support.

The projected \$39 million operating deficit takes into account cost savings resulting from the Region's immediate actions to mitigate financial risks associated with COVID-19.

These actions include the Region's redeployment strategy, reducing discretionary spending in all services, pausing some activities, seeking opportunities to save using LEAN, and compliance with the Province's directions for physical distancing and non-essential services, which has meant less service activity and as a result, fewer incurred costs.

The Region also has to deal with a capital infrastructure funding gap, lower investment returns, and significantly lower development charge revenue projections estimated to be between \$600 million and \$700 million over the next five years (2020-2024).

If the capital program proceeds as originally planned, additional debt requirements resulting from reduced development charge collections would reduce financial flexibility and put increased pressure on the Region's credit rating. This would create significant financial risks to the Region by increasing cash flow pressures to service debt in future years.

To address the substantial impacts on the Region's capital program and projected development charge revenue shortfall, the Region has established a Capital & Construction Task Force, which is developing a capital deferral strategy. The Region is also reviewing our financial risk management framework on a regular basis in order to reflect changes in the economic environment.

Peel's long-term financial sustainability program provides the Region with some flexibility to manage the current financial impacts. However, incremental funding to offset COVID-19 related costs is needed to minimize the financial and service impacts to Peel.

## Recovery Planning

Any step towards restarting the economy needs to be taken with caution to avoid losing the progress that has been made so far in containing COVID-19. Through this unprecedented crisis, the Region has taken a collective response with local municipal partners, community-based organizations and many other stakeholders has been required. Together, the Region has navigated many challenges during the pandemic to respond to emerging needs, support coordination, facilitate information sharing and maintain a commitment to collaboration.

# Region of Peel Submission on the Impacts of COVID-19

The Region has made significant investments to mitigate the adverse impacts that the pandemic has had on the Peel community, and has supported a coordinated local response through community collaboration and innovation, including initiatives such as:

- Health sector collaboration to address challenges in the long term care and retirement homes in Peel (including Peel's five long term care homes)
- Community Response Table, convening over 90 community agencies in Peel to support, coordinate and fund essential programs and services to vulnerable populations during this pandemic, including seniors, victims of domestic violence and homeless
- Innovative three-step program to address the social, housing and medical needs of the homeless, including prevention and control, screening and triage, as well as isolation and recovery programs to keep this vulnerable population safe
- Collaboration with local community mental health and addictions system partners to foster supportive environments and mitigate risk for crisis situations
- Administration and implementation of the emergency child care program

While there has been much appreciated funding provided from both the federal and provincial governments to support these efforts, ultimately, the Region's projected operating deficit of \$39 million remains, despite this support and the Region's cost mitigation efforts.

Moving from response to recovery, the Region has struck its own Demobilization and Recovery Planning Taskforce and developed a comprehensive recovery plan based on provincial direction and advice from the Regional Medical Officer of Health.

The Region of Peel's recovery framework will guide the reopening of its services and the local economy and is based on and is anchored in 3 pillars:

- Delivering valued services and community supports
- Creating safe environments and healthy workers
- Redesigning regional operations for a new normal

As the Region moves forward in delivering essential services to Peel's residents and businesses, an all-level government approach is needed, including immediate financial support from the provincial and federal governments. It is by partnering and finding innovative solutions at all levels that we can hope to emerge from the pandemic and move towards a renewed and shared prosperity.

## Looking Forward –Addressing Fiscal & Economic Impacts

The Region thanks the federal and provincial government for their quick enactment of several emergency measures during the containment and early restart stages of its response to the

# Region of Peel Submission on the Impacts of COVID-19

pandemic. These actions supported by the municipal sector ensured stability for workers and businesses in the short-term and provided the bridge to long-term economic sustainability.

While the families and businesses in Peel have benefitted from these programs and actions, direct financial support to municipalities to address ongoing fiscal pressures and to stimulate economic recovery is needed.

The Region has identified a number of measures to address the immediate financial impacts related to COVID-19 and to stimulate fiscal and economic recovery. The timing of these measures is critically important, as they tie back into the short and long-term planning that allows the Region to maximize funding resources and reduce costs. Giving municipalities the flexibility to expend funding at their own discretion must also be part of a regional approach to recovery that effectively gets resources to where they are needed most.

## Short-term Measures

The following are specific short-term measures that the provincial and federal governments are encouraged to take:

- Immediate additional funding to offset the substantial incremental costs and loss of revenue associated with the COVID-19 pandemic. Along with numerous other municipal sector associations, the Region supports the call of the Federation of Canadian Municipalities (FCM) for at least \$10 billion in emergency operating funds for municipalities.
- Infrastructure funding to stimulate economic recovery including water, wastewater, roads, affordable housing and waste management infrastructure. This could be achieved, in part, by the Province working with the federal government to accelerate Investing in Canadian Infrastructure Program (ICIP) funding, particularly the second phase Green Infrastructure stream, opening in the fall (as called for by AMO).
- For every real \$1 of regional GDP stimulated by growth in the Region of Peel, Ontario's GDP increases by \$1.63, as demonstrated by the 2015 report from CANCEA, [\*Costs, Benefits and Risks of Growth: Region of Peel\*](#). The report examined the costs and benefits attached to the Region investing the necessary growth capital to meet its provincially mandated population projections.
- Federal/provincial funding for staffing to support permanent improvements for infection control in Long Term Care.

## Medium and Long-term Measures

The Region is also proposing measures to help with economic recovery over the medium-term and long-term.

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Over the medium-term, the Region is asking the Province to review provincial-municipal responsibilities in Ontario for income tax redistribution programs (such as affordable housing, homelessness and employment supports), with the goal of removing these programs from the property tax.

In their report, [In it Together: Clarifying Provincial-Municipal Responsibilities in Ontario](#), the Institute for Municipal Finance and Governance proposed such a review. The report examines the provincial-municipal cost-sharing relationship across 15 service areas, explores its history and argues the time has come for a re-assessment.

Over the long term, the Region is recommending that the Province engage municipalities in a discussion to explore diversified and progressive municipal revenue tools to address the evolving needs of local communities.

As demonstrated by the 2018 report [Rethinking Municipal Finance For the New Economy](#) (a partnership with the Region and the Mowat Centre), municipalities have limited revenue tools which are increasingly becoming outdated due to the digital economy and changing nature of employment.

COVID-19 has highlighted the limited, out-dated nature of the land-based revenue tools available to municipalities, who are responsible for managing approximately 60 percent of core public infrastructure across the country. It is critical that municipalities have access to a range of progressive and diversified sources of revenue and tools that recognize the digital economy and changing nature of employment, which may be even more pronounced in the post-COVID-19 economy.

To address this, a broader conversation should also take place among all levels of government on how municipalities can share in Canada and Ontario's economic growth and prosperity in a more fair and equitable manner.

## Conclusion

The Region of Peel appreciates the partnership, funding and progressive policy support from the Province as we continue to address the impacts of the COVID-19 pandemic. This ongoing support and partnership from both the provincial and federal government, will be critical to move passed this current crisis. Ongoing dialogue between all levels of government as well as resolve to work closely together are essential to keeping people and businesses healthy and safe while ensuring a strong and stable economic recovery for Ontario.