

Staff Report



To	City Council
Service Area	Corporate Services
Date	Monday, October 26, 2020
Subject	Phase 2 Safe Restart Funding - Municipal Operating Relief

Recommendation

1. That Council endorse the following resolution which approves seeking additional funding for Phase 2 of the municipal operating stream, subject to Treasurer confirmation that eligibility criterion have been satisfied, as part of the federal-provincial Safe Restart Agreement;

“Whereas on March 11, 2020, the World Health Organization and the Canadian Government declared COVID-19 a global pandemic; and,

Whereas on March 12, Ontario ordered schools closed and by March 17, began a more extensive shut down; and,

Whereas the pandemic has led to the closure of public spaces, and the cancellation of events around the world, throughout the country, our province and right here within our own community, causing additional financial cost and pressures to the City; and

Whereas in response to the significant financial impacts of COVID-19, the City has taken steps to reduce expenditures. These steps include halting all discretionary spending; employee layoffs and placement of full-time employees on declared emergency leave; halting non-critical hiring; and prioritizing capital projects; and

Whereas staff are actively advocating with municipal counterparts to higher levels of government for emergency financing to assist with the projected losses rather than depleting the City’s reserves in one year; and

Whereas on July 27, 2020, as part of the federal-provincial Safe Restart Agreement, the Ontario government announced that it has secured up to \$4 billion in emergency financial assistance to provide Ontario’s 444 municipalities with the support they need to respond to COVID-19; and

Whereas the City’s COVID-19 financial impacts projected up until December 31, 2020 surpassed the Phase 1 funding of the municipal operating stream after taking into consideration City-owned reserves and expenditure savings successfully mitigated;

Therefore be it resolved:

That, subject to Treasurer confirmation that eligibility criterion have been satisfied, Guelph City Council is seeking additional funding for Phase 2 of the

municipal operating stream to support financial operating costs and pressures related to COVID-19.”

Executive Summary

Purpose of Report

This report serves as Council’s opportunity to endorse a resolution to seek additional funding for Phase 2: Funding for Additional Municipal Pressures as part of the federal-provincial Safe Restart Agreement to address COVID-19 financial operating impacts. The application process requires Council to approve this specific resolution as part of the eligibility requirement.

Key Findings

Council and staff have been very responsive and proactive in making decisions to mitigate the City’s current financial impact as well as provided relief for businesses and citizens who may be facing financial challenges due to the pandemic. In response to the emergency declaration, and fiscal difficulties brought by the pandemic, the City implemented several measures including; closure of facilities, service delivery changes, modified working environment for employees, redirected resources, 601 casual and seasonal part-time layoffs, halted non-critical hiring, and placed 127 full-time employees on declared emergency leave. Even with these actions taken to date, the City is experiencing significant revenue shortfalls and increased expenses related to COVID-19. Council and staff have recognized the need to mitigate the impact of these losses and various mitigation measures were implemented.

To qualify for Phase 2 of the Safe Restart Agreement – Municipal Operating stream, municipalities are required to demonstrate that the year-end deficit (net of the one-time emergency transit related funding of \$5.1 million) is going to be greater than the Phase 1 funding allocated totaling \$6.9 million. The application deadline is October 30, 2020 (or November 6, 2020 with an extension request) and since Council resolution is required before the updated year-end projection will become available, which must be based on September 30, 2020 actual results, we are seeking Council approval in advance to apply for Phase 2 funding should our Phase 1 funds not be enough. The provincially-directed timeline has left little time for our staff to forecast the year-end financial position, at a time when uncertainty about the impact the second wave of COVID will have on our operations is at its highest.

Staff will report back to Council through the third quarter operating variance report on the outcome of this assessment and eligibility. Based on the second quarter deficit projection, the City may not qualify for this second phase of emergency funding.

Financial Implications

COVID-19 related financial impacts projected at year-end are currently being assessed as part of third quarter in-depth operating variance review in consultation with respective departmental managers. Details of the operating year-end projection will be shared November 27, 2020 through the third quarter operating variance report to Council.

The emergency relief funding from the federal and provincial government totaling \$12 million provided the City with greater flexibility to respond to a second wave and has likely mitigated need to utilize the City's reserves in 2020 to manage the previously projected deficit. Staff are actively assessing eligibility to access additional emergency support funding given the known need for these fund throughout 2021.

Report

The COVID-19 pandemic has had a major impact on municipal finances by reducing revenues, increasing costs, and disrupting cash flows. While cost mitigation strategies are being pursued by municipalities, they often produce insufficient savings to cover the added costs and lost revenues being experienced. Like most other Canadian cities, the City made a dramatic shift in March 2020 when the realities of COVID-19 forced people into their homes, businesses to close and services to adjust almost overnight. In its response, the City provided fiscal and non-fiscal relief to residents and businesses, while maintaining critical community services including but not limited to the delivery of clean water, collection and treatment of wastewater, solid waste services, emergency services (police, fire and paramedics), and transit.

The City has been actively in support of the call for emergency municipal funding by the Federation of Canadian Municipalities and the Ontario's Big City Mayors due to the on-going revenue losses resulting from COVID-19, the limited access to revenue tools to manage through these impacts, concerns with property tax and user rate affordability and the forecasted need to rely upon reserve and reserve funds for a long-term period of uncertainty.

This report documents City's application process and considerations for Phase 2 funding of municipal operating stream as part of the federal-provincial Safe Restart Agreement.

Emergency funding for municipalities: the Safe Restart Agreement

The Safe Restart Agreement between the Federal and Provincial governments was announced on July 27, 2020. The Ontario government announced that it had secured up to \$4 billion in emergency assistance to provide Ontario municipalities with the support they need to respond to COVID-19.

The investment will provide support to municipalities and public transit operators to help them address financial pressures related to COVID-19, maintain critical services and protect vulnerable people as the province safely and gradually reopens. It includes:

- Up to \$2 billion to support municipal operating pressures, and
- Up to \$2 billion to support municipal transit systems.

Under the **municipal operating stream**, \$1.39 billion will be available to Ontario's municipalities to address operating pressures and local needs. This funding will be allocated in two phases: 50% allocated in Phase 1 for all municipalities, and 50% allocated in Phase 2 for municipalities that require additional funding.

Municipal Operating Funding Phase 1: Immediate Funding for Municipal Pressures

Phase 1 of this funding will be allocated on a per household basis and the City was allocated \$6.9 million to support COVID-19 operating costs and pressures. At the time of writing this report, the funding has not yet been received. In addition to this funding, the City was also allocated \$5.1 million from the municipal transit stream which the City received in September 2020 to offset the lost revenues in our transit system.

Phase 2: Funding for Additional Municipal Pressures

Phase 2 of this funding will be offered to those municipalities that can demonstrate that the 2020 COVID-19 operating costs and pressures exceed their Phase 1 per household allocation. A template for this municipal report and request for consideration for Phase 2 funding has been received on October 1, 2020 and will require:

1. Information about measures the municipality has undertaken to reduce financial pressures (e.g. use of reserves, cost saving measures);
2. Explanation of how the municipality applied or plans to spend Phase 1 funding towards COVID-19 operating costs and pressures;
3. A year-end forecast of COVID-19 operating costs and pressures;
4. Actual COVID-related impacts as of the end of the third quarter of the municipal fiscal year (September 30, 2020);
5. Treasurer's attestation as to accuracy of reporting; and
6. Resolution of Council seeking additional funding.

COVID-19 Financial Cost and Pressures Highlights

The City's revenue source is greatly impacted by the COVID-19 crisis. Increase in COVID-19 related cost were experienced to keep the community safe from the virus. Operating year-end variance projection reassessment are currently underway.

The actual COVID-19 related impacts and pressures as of the end of the third quarter of the municipal fiscal year (September 30, 2020) and a year-end forecast (October 1 – December 31, 2020) will be presented in detail through the third quarter operating variance report to Council on November 27, 2020.

To qualify for Phase 2 of the Safe Restart Agreement – Municipal Operating stream, municipalities need to demonstrate that the year-end variance is going to be greater than the Phase 1 funding received. Since Council resolution is required before the year-end projection will become available, we are seeking Council approval in advance to apply to Phase 2 should our Phase 1 funds not be enough.

The Phase 2 funding application template is to provide an overall picture of the municipality's 2020 financial position and information about service adjustments, use of reserves, and other measures the municipality is taking to manage 2020 COVID-19 operating impacts. It is not designed to collect claims-based information on a line-by-line basis. Capital expenses such as public works are not to be reported on.

Through the second quarter operating variance report, the City projected a total deficit of approximately \$10 million with an allowance for an additional \$3 million resulting from impacts of a second wave of programming and facility closures. Staff believed that based on projections to date, the City may not be eligible for Phase 2 funding which is disappointing given the expected revenue loss that will still be a reality throughout 2021.

Financial Implications

The projected financial impacts of COVID-19 as at December 31, 2020, including relief provided to the community, lost revenues as a result of the provincial emergency closure orders, and additional costs incurred for business continuity, and public health safety are currently being reassessed. Full details of the operating year-end projection will be shared through the third quarter operating variance report to Council on November 27, 2020.

The emergency relief funding from the federal and provincial government provided the City with greater flexibility to respond to a second wave and has likely mitigated need to utilize the City's reserves in 2020 to manage the projected deficit. Staff are actively assessing eligibility to access additional emergency support funding given the known need for these funds throughout 2021.

Consultations

Departments are responsible for managing their programs according to municipal standards and within the approved budget. The responsibility of monitoring the operating budget is shared by the operating departments and the Finance department. Department managers were provided financial reports based on their actual revenue and expenditures to September 30, 2020 with which they provided commentary in consultation with the Finance department.

Strategic Plan Alignment

The City's swift and responsive approach to managing the lost revenues and additional expenses resulting from COVID in 2020 demonstrates the Strategic Plan's Working Together for our Future priority through maintaining a fiscally responsible local government. The application of further emergency grant funding would be consistent with this goal of managing the negative fiscal impacts through 2021.

Attachments

None

Departmental Approval

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