Sent by e-mail to Bill.Morneau@canada.ca
Minister.fin@ontario.ca

May 20, 2020

The Honourable Bill Morneau
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, ON K1A 0G5

The Honourable Rod Phillips
Ontario Minister of Finance
Frost Building South, 7th Floor
7 Queen's Park Cres
Toronto, ON M7A 1Y7

Re: Financial Impact of COVID-19 on Niagara area municipalities

Dear Minister Morneau and Minister Phillips:

On behalf of the communities in Niagara Region and its 12 local area municipalities, we commend the federal and provincial governments' relief measures that have offered some temporary financial reprieve to Niagara residents and businesses struggling under the weight of an unexpected fiscal burden created by the COVID-19 pandemic. Largely comprised of the tourism, service, and agri-food industry, the temporary closure of many of Niagara's businesses has devastated the Niagara area's local economy. Collectively, the Niagara area municipalities recognize the need for a shared and multifaceted fiscal response to support the other orders of government and have also made significant efforts to support the health, safety, and well-being of our communities in overcoming financial hardships while also supporting our front-line workers during this emergency.

As you know, the pandemic has taken a significant toll on the financial resources of municipalities. According to preliminary data, municipalities in Niagara region are experiencing budget deficits as a result of incurring increased costs for protecting front-line workers and residents and lost revenues from reduction in service use and payment deferrals. Without the dedicated and urgent assistance from the federal and provincial governments, Niagara area municipalities will continue to experience budget shortfalls as they implement policies to guide the economic and social recovery of their communities.

Community Relief Measures

Each municipality in Niagara has implemented relief measures to help residents and businesses weather this economic storm by reducing many of their financial burdens. Although temporary, these measures will significantly impact on municipal revenues and may be reviewed on a go-forward basis.

Such measures implemented by the local area municipalities include:

- Waive Tax Penalty and Interest Charges until June 30;
- Waive Water and Wastewater Penalty and Interest charges until June 30
- Deferral of 2020 water and wastewater rate increase
- Waive charge back of NSF charges for all tax, water/wastewater, and miscellaneous charges until June 30, 2020;
- Waive municipal parking fees;
- Waive late fees for 2020 dog licences and general business licences

Measures implemented by the Region of Niagara include:

- Grant concessions to provide some level of cash flow relief to the Local Area Municipalities (LAMs) to align with their anticipated delay in tax and water billing collection by:
- General and Special Purpose Levy amounts may be remitted by the LAMs to Niagara Region based on actual amounts collected by the LAMs;
- Interest charges on the above-noted levies be waived for local area municipalities until June 30, 2020;
- August and October instalments for the Region's general and special purpose levy may be remitted by the LAMs based on actual amounts collected and any interest charges on these levy amounts be waived for 30 days;
- Water and wastewater amounts from April to November will be remitted based on actual amounts collected by the LAMs, by which they may have until the end of 2020 to make payable the difference ;
- Waiving interest charges on outstanding amounts for local area municipalities for water/wastewater requisition payments for 2020

There may occur future consideration on whether these provisions will be extended for subsequent months depending on the state of the local economy over the next several months.

Cost Containment and Mitigation Efforts

We are grateful for the combined funding received from the federal and provincial governments to directly support housing and homelessness and long-term care facilities during this COVID-19 outbreak. However this amount will not offset the loss of revenue and increase in costs confronting our municipalities. Although the Region and area municipalities have saved on some incidental expenditures that have naturally occurred with the reduction in services and provincial relief measures, municipalities have also made additional strategic approaches to help mitigate the projected negative budget impacts.

The incidental cost savings have largely occurred as a result of operations being refocused on emergency and compliance with Provincial restrictions related to social/physical distancing. These costs include, but are not limited to:

- Reduced travel costs including cancellation of events/conferences
- Reduction/deferring the hiring of seasonal staff/crossing guards/casual
- Facility closures (reduced operational/maintenance costs)
- Reduced energy costs including transit fuel expenses

Strategic cost savings and cash flow management have been generated through deliberate measures to forego services not directly related to managing the COVID-19 pandemic. These measures, in part, include:

- Hiring freeze for vacant full-time positions, temporary lay-offs for non-essential full and part-time employees (salary/benefits saving)
- Reduced non-emergency repair work (i.e. installations, maintenance programs)
- Reduced transit service costs
- Deferral of seasonal services (i.e. Port Robinson ferry start date)
- Reduction in Museum and Library Operating Grants and Permissive Event Grants
- Cost containment for individual municipal departments
- Cancellation or deferral of non-essential capital projects to future years

A number of municipalities have redeployed staff to ensure critical functions are served while minimizing lay-offs. Nevertheless, even with the concerted efforts to contain costs by Niagara's municipalities as a means of offsetting the costs for the lost revenue and the increased costs to address the pandemic, these measures will not generate sufficient cost savings to balance their budgets.

Preliminary assessment of financial impact on Niagara municipalities

Regardless of the measures each municipality has implemented to contain the costs for offsetting the decline in municipal revenue and increase in expenses, almost all regional municipalities are projecting deficits in the short and long-term. The data provided is only a point in time based on the preliminary data that has been captured up to the end of June 2020. As municipalities continue to gather additional data when the economy gradually re-opens, a stronger more concrete indication on the true impact of the financial picture will be presented to you.

Other revenue shortfalls and cash flow impacts

For all regional municipalities, significant revenue loss is attributed to closure of non-essential services and the deferral of property tax and water/waste water payments and waiving of interest charges. Each local municipality is experiencing substantial revenue shortfalls in parking and user fees, transit fares, Provincial Offences (POA) tickets, and event and recreation programs. Regional municipalities are currently quantifying other considerations that will have an additional impact on municipal revenue streams, such as:

- Supplementary taxation and write-off of taxes impacts related to growth in the community
- User fees for regional child care services
- Planning-related matters, particularly permit applications and overall Development Charges collected that may affect capital program delivery
- Additional support to housing providers
- Recycling end markets for sale of waste management recyclables
- Provincial gas tax for transit impacts
- Ability to borrow debt and the cost of that debt

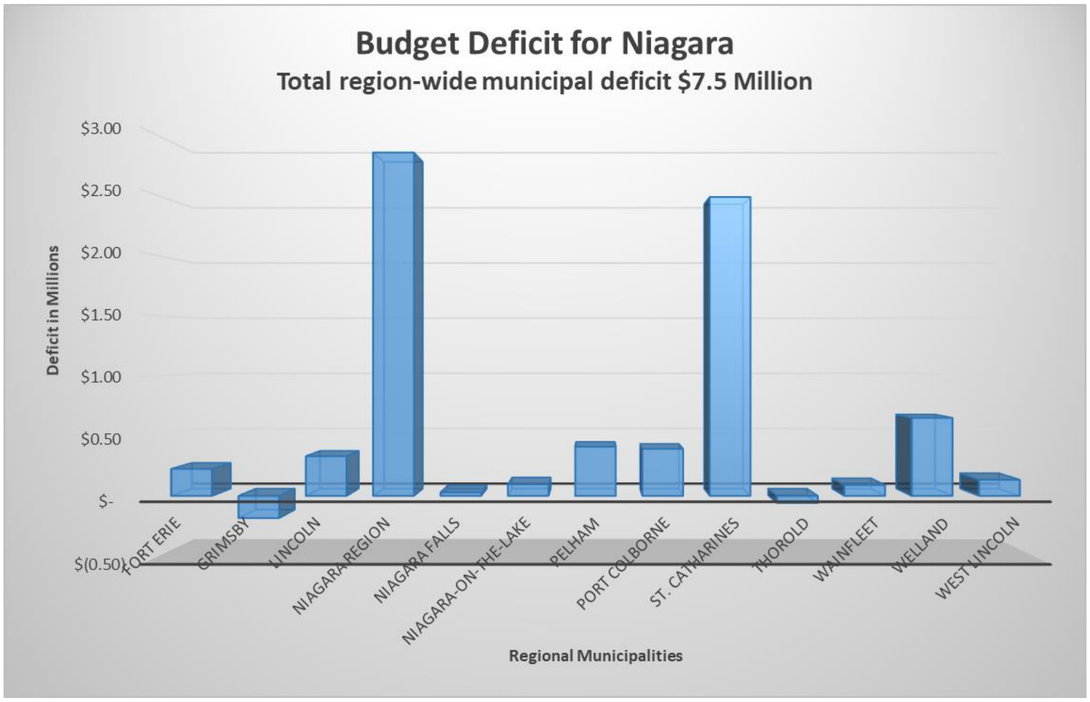
The Big Picture

A significant proportion of new expenditures has arisen from ensuring staff, front-line workers, and the community remain safe and healthy. Increased operating costs are related to premiums on personal protective equipment, increased labour costs for essential staff and front-line workers, IT costs for working remotely, emergency shelter costs, emergency child care centres for front-line workers, cleaning supplies, and signage for facilities and outdoor recreational areas. In addition, intensifying operations in the Region’s public health units, long-term care facilities, and has also increased costs exponentially.

Taking into consideration the preliminary incremental operating costs, decreases in revenue, and measures to reduce expenditures, the Regional area municipalities are projecting a $7.5 million budget deficit to the end of June. As it remains uncertain the length of this crisis, for each month without federal and provincial support this number will continue to escalate placing municipalities in a precarious financial situation.

Total Gross Cost	**$ 49.0 M**
Federal/Provincial Funding Received	$ (6.8) M
NET COST TO THE REGION	**$ 42.1 M**
Costs accommodated in the Budget	$ (15.2) M
Strategic and Other Mitigations	$ (19.4) M

NET DEFICIT **$ 7.5 M**



For more detailed information and breakdown of the data per municipality, preliminary financial impact assessments from Regional municipalities that have completed this exercise are provided in the links below.

Fort Erie
Niagara-on-the-Lake
Niagara Region
St. Catharines
Wainfleet
Welland
West Lincoln

Recommended Federal and Provincial Actions to support the Region's Municipalities

Niagara Region and its 12 local area municipalities strongly support the requests of the Federation of Canadian Municipalities (FCM) and our position aligns with our other municipal associations – the Association of Municipalities of Ontario (AMO) and the Large Urban Mayors Caucus of Ontario (LUMCO)/Mayors and Regional Chairs of Ontario (MARCO). We concur with our other municipal partners consideration of legislative reforms to allow municipalities to plan for annual budget deficits as a means for managing municipal financial challenges is not in the public interest. Rather this will only perpetuate municipalities' fiscal challenges as they do not possess the tools and resources to shrink accruing deficits. Other immediate policy solutions can be introduced that would be far more manageable for our municipalities.

Recommendations:

The Niagara Region, in partnership with the 12 Local Area Municipalities, respectfully request consideration of the following relief options:

1) Provide municipalities with immediate emergency operating funding that is essential to help offset lost revenues and incremental service costs in order to fund current municipal operations.

2) Deliver long-term allocation-based grants or other funding to municipalities to ensure appropriate service levels continue to be maintained while physical distancing directives and/or practices remain in place.

3) Expand the eligibility criteria to qualify for the Canada Emergency Response Benefit wage subsidy for COVID-19 to all Municipal employers

4) Accelerate both provincial and federal infrastructure programs, including approval of Infrastructure Canada Investment Program (ICIP) project applications, to stimulate the economic recovery after the COVID-19 pandemic has abated
   a. reform the infrastructure funding formula by reducing the municipal proportion to 20% (40/40/20); and
   b. institute a funding mechanism based on the current gas tax model thereby eliminating the application-based approach to ensure the efficient and timely receipt of funding by municipalities (while maintaining appropriate audit controls)

5) Immediately restore the provincial proportion of public health care costs to 100% and postpone reconsideration of any reforms to these costs until at least 2021.

6) Enhance 50% funding for Emergency Medical Services currently based on the prior year's budget to include 100% one-time funding for pandemic related costs.

Conclusion

We urge you to invest in the sustainability of our municipal operations to ensure Niagara region can provide the essential services our residents and businesses need. The Region and its 12 area municipalities are committed to doing its part as your local partners to invest in services and aid the recovery as much as we are able in the short and long-term.

We welcome the opportunity to discuss these important matters with you soon.

Sincerely,

<Insert Regional Chair and Mayors signatures>

cc. The Right Honourable Justin Trudeau, Prime Minister of Canada
The Honourable Chrystia Freeland, Deputy Prime Minister of Canada
The Honourable Catherine McKenna, Minister of Infrastructure and Communities
The Honourable Doug Ford, Premier of Ontario
The Honourable Steve Clark, Ontario Minister of Municipal Affairs and Housing
Bill Karsten, President, Federation of Canadian Municipalities
Jamie McGarvey, President, Association of Municipalities of Ontario
Vance Badawey, MP, Niagara Centre

Chris Bittle, MP, St. Catharines
Tony Baldinelli, MP, Niagara Falls
Dean Allison, MP, Niagara West
Sam Oosterhoff, MPP, Niagara West
Jeff Burch, MPP, Niagara Centre
Jennifer (Jennie) Stevens, MPP, St. Catharines
Wayne Gates, MPP, Niagara Falls