Office of the Mayor

Bonnie Crombie, MBA, ICD.D
Mayor, City of Mississauga
T 905-896-5555 F 905-896-5879
mayor@mississauga.ca

City of Mississauga
300 City Centre Drive
MISSISSAUGA ON L5B 3C1
mayorcrombie.ca

July 15, 2020

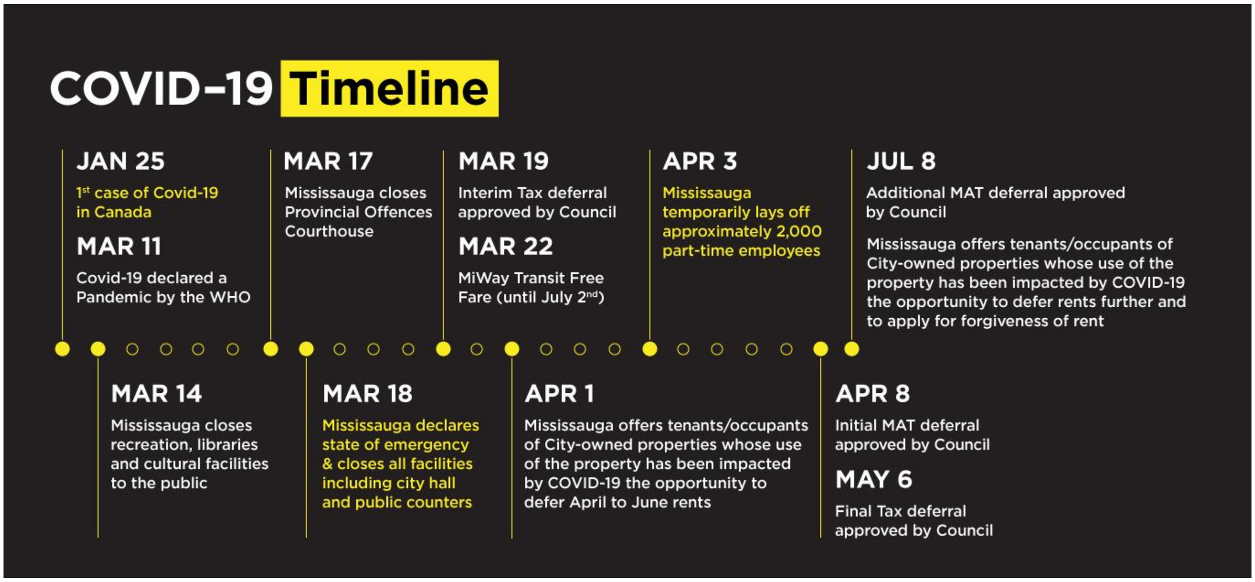
Mr. Amarjot Sandhu, MPP
Chair, Standing Committee on Finance and Economic Affairs
Queen's Park

Re: Submission on impacts of COVID-19 on the City of Mississauga

Dear Chair Sandhu and Members of the Committee,

Thank you for the providing me the opportunity to make a deputation before the Standing Committee on Finance and Economic Affairs on July 14, 2020 on the impacts of COVID-19 on the City of Mississauga. While I made an oral presentation to the Committee, I am also providing a written submission herein.

As you have no doubt heard from municipalities across the province, the financial situation in our communities is dire. Our budgets are not designed to manage a pandemic and our revenue tools do not allow us to address the mounting financial losses from this crisis. Like all levels of government, Mississauga has taken action to provide relief to our residents and businesses. We closed City facilities; operated free transit to protect the driver and riders, and allowed essential businesses and workers to continue to operate; deferred over $700 million in property and other taxes to assist with short term liquidity pressures in the community; and deferred rents at City-owned facilities.



Timeline of actions taken by the City of Mississauga since the start of the COVID-19 pandemic

These are just a few of the many actions we have taken. But our actions have had a significant cost. The financial impact of the pandemic on the City of Mississauga in 2020 is estimated to be **$107 million.**

We have worked to offset these losses, including laying-off 2,000 temporary staff and instituting a hiring freeze, as well as cutting all discretionary spending. These measures and others have helped us find $47 million in savings. Mississauga is a strong financial manager, and we are doing our part, but it is not enough. The bottom line is we are facing unrecoverable **losses in 2020 of over $60 million**. This excludes the losses at the Region of Peel, which also impact the Mississauga tax bill. Over the next 3 years, our total gross losses are expected to be **$140 million.**

	Surplus/ (Shortfall) ($Ms)
MiWay - loss of revenue/reduced costs	(44.2)
Recreation - loss of revenue	(28.5)
Various other COVID-related revenue reductions	(10.0)
Loss of tax penalty and interest	(5.8)
Provincial Offences Act - loss of revenue due to reduced operations	(5.4)
Parking enforcement losses	(5.7)
Lower returns on investments (lower cash/lower interest)	(3.1)
Emergency management costs (communications, PPE, etc.)	(1.9)
Various other COVID-related expenditures	(2.8)
Direct COVID-19 Pressures	**(107.4)**
Mitigating Actions	**39.1**
NET SURPLUS/(DEFICIT) RELATED TO COVID	(68.3)
Other Savings	**7.6**
NET SURPLUS/(DEFICIT) - 2020 BUDGET	**(60.7)**

Financial impacts of COVID-19 on the City of Mississauga's 2020 Budget

For context, to make up this deficit would be equivalent to shutting down transit for 8 months, or our libraries for 2 years, or the entire City for 1.5 months. These are obviously not feasible options and would stifle economic recovery. Without federal and provincial emergency assistance, we are seriously looking at the deep cuts we will have to make. In Canada, the Federation of Canadian Municipalities has calculated that the losses across the municipal sector are $12 billion. In Ontario, we project over $4 billion in losses for municipalities.

	Surplus/ (Shortfall) ($Ms)
Savings related to temporary staffing reductions	13.5
Hiring freeze	7.4
Discretionary expenditure review, including Emerald Ash Borer	6.7
Recreation - program expenditure savings	5.9
Various other COVID-related expenditures	3.4
Utility savings (closed facilities)	2.2
MITIGATING ACTIONS	**39.1**

Cost savings and mitigation measures taken by the City of Mississauga

As you know, cities derive the majority of their funding from the property tax and user fees, and to a lesser extent, government grants and transfers. We are still expected to operate essential services like housing, transit, fire and emergency services, police, public health, and much more. When we have no revenue to do so, we enter deficit. At the end of the day there is only one taxpayer. If cities don't receive operating relief, it will not only impact our services levels but our people, many of whom are struggling to make ends meet.

	Budget ($Ms)	**Percent**
Property Taxes	537	58%
User Fees	189	21%
Provincial Gas Tax and Revenue Transfers	76	8%
Payment in lieu of Taxes	36	4%
Investment Income and Dividends	32	3%
POA, Fines, Penalties	30	3%
Municipal Accommodation Tax	10	1%
Other	14	2%
Total	**924**	

City of Mississauga sources of funding

If Mississauga's losses were to be covered by the property tax alone, it would represent a 12% increase. Either we raise taxes significantly, or cut the services people need.

We're on the horns of an impossible dilemma. Both the provincial and federal governments have the fiscal firepower to provide financial relief. We need you to do so.

Cities are the economic engines of this country. Mississauga generates $60 billion in GDP alone, every year. We're home to over 450,000 jobs and 94,000 businesses. We drive the economy, the income tax, the sales tax, and many other provincial and federal government revenues. The investments we make in providing services and building infrastructure, allow our economy to run smoothly. If we do not receive emergency funding soon, we will likely be forced to delay or cancel capital projects and use that funding to offset our operating losses. A strong recovery cannot happen without strong cities.

I would be remiss if I didn't mention a uniquely Mississauga issue: the Greater Toronto Airports Authority (GTAA) Payment in Lieu of Taxes (PILTs). The country's largest airport and our largest landowner pays us PILTs every year, based on a per passenger count, but not on cargo. This formula has not changed since 2001. Revenues are paid with a 2 year lag, meaning the effects of 2020 will not be felt until 2022. Passenger decreases are not capped, but increases are, at 5%. So, we will feel the pain of 2020 with the GTAA, but when passenger volumes increase by more than 5% in the coming years, the maximum the City will receive is 5%.

We are projecting a conservative 60% loss of passengers in 2020. Based on the 2 year lag, this will mean another $18 million loss in 2022 and $17 million loss in 2023 for the City. We anticipate a $162 million loss over the next two decades if changes are not made. It could be higher.

	2021 Pressures	**2022 Pressures**	**2023 Pressures**
	Surplus / (Shortfall)	**Surplus / (Shortfall)**	**Surplus / (Shortfall)**
COVID-related residual gapping	3.5	0.0	0.0
Transit revenues - ramping back to normal	(29.2)	(14.6)	0.0
Recreation (revenue loss net of expenditure savings)	(1.2)	0.0	0.0
Utility impact	(1.4)	0.0	0.0
Investment income - potential loss	(2.0)	(1.0)	0.0
Impact on GTAA PILT revenue*	0.0	(18.4)	(17.8)
Annualized impact	**(30.3)**	**(34.0)**	**(17.8)**
Incremental (year-over-year) increase	0.0	(3.7)	16.2

* Assumes 60% drop in passenger count. Could be higher.

Echo effects of COVID-19 in the years to come

Combined with other projected losses in transit, recreation and other user fees, this pandemic will not be just a one year shock but will have echo effects for years to come.

As we have for decades, we are asking for the PILT formula to be amended to include cargo and to remove the 5% cap. Only the Provincial government can change this, not the City and not the GTAA.

Mississauga's recommendations are as follows:

1. Provide immediate emergency funding to offset non-recoverable municipal losses as a result of COVID-19 on an equitable basis;
2. Approve ICIP projects and get infrastructure money flowing as soon as possible.
3. Increase the amount of gas tax funding made available to municipalities to offset transit losses. We made applications in October 2019 and have not yet received any approvals or funding. Mississauga's share of ICIP funding is $847 million;
4. Review legislation and regulations, and eliminate administrative requirements to ensure municipalities are not unduly burdened;
5. Amend the PILT formula to eliminate the 5 per cent cap and include cargo in the calculation;
6. Convene discussions with municipalities to discuss new revenue tools for cities to deal with our new realities, as well address the fiscal imbalance in the federal framework; and
7. Develop long-term, predictable and permanent infrastructure funding formulas for municipalities so we can address our mounting capital deficits and get infrastructure built.

We want to be your partners in recovery from COVID-19 and build Ontario. But we cannot do so by dramatically increasing property taxes or slashing services or delaying capital projects. We need support from the federal and provincial governments.

Once again, I am thankful for the opportunity to provide a deputation to the Standing Committee. As always, I am pleased to answer any further questions the Committee may have.

Sincerely,

Bonnie Crombie

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Cc. Hon. Doug Ford, Premier
Hon. Rod Phillips, Minister of Finance
Hon. Steve Clark, Minister of Municipal Affairs and Housing
Hon. Laurie Scott, Minister of Infrastructure and Communities
Natalia Kusendova, MPP
Sheref Sabawy, MPP
Deepak Anand, MPP
Rudy Cuzzetto, MPP

Kaleed Rasheed, MPP
Nina Tangri, MPP