

## **Supplementary Information to the Operating Variance Report for the Nine Months Ended September 30, 2022**

**Date:** December 8, 2022

**To:** City Council

**From:** Chief Financial Officer and Treasurer

**Wards:** All

### **SUMMARY**

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The purpose of this report is to provide City Council with an update to the 2022 COVID-19 intergovernmental funding secured and/or anticipated that has been reflected in the Operating Variance Report for the Nine Months Ended September 30, 2022.

As previously reported, the Government of Canada, on February 17, 2022, announced \$750 million in funding to help municipalities address transit shortfalls, to be matched by provinces and territories. This one-time payment was announced "to help cities maintain service levels despite decreased ridership as a result of the pandemic"

The Federal Government noted that funding would be conditional on provincial and territorial governments matching the Federal contribution and accelerating their efforts to improve housing supply, in collaboration with municipalities.

Federal funding was allocated to provinces and territories based on a formula that incorporates a mix of transit ridership (70 per cent weight) and population (30 per cent weight); City staff estimated that Ontario would receive \$316 million of the \$750 million Federal investments; and that provided the federal formula was applied to municipal allocations, that the City of Toronto will be allocated approximately \$185.5 million of this funding, with a further \$185.5 million in matching provincial funding (\$371 million total).

The Operating Variance Report for the Nine Months Ended September 30, 2022 noted an anticipated \$567 million in 2022 COVID-19 support funding, factoring an anticipated \$371 million in transit specific funding related to the February 17, 2022 Government of Canada announcement.

On December 7, 2022, following completion and distribution of the operating variance report, a letter was provided by the Ministry of Transportation confirming the City of Toronto's allocation of this transit specific COVID-19 funding. The letter noted an allocation of \$348 million, \$23 million lower than initial estimates of \$371 million.

The City was informed that the province-wide SRA Phase 4 municipal funding allocations included a base amount of \$5,000 to all eligible municipalities, plus a proportional share of past reported actuals under previous phases of SRA funding. This allocation approach results in the change compared to initial City estimates that as noted, had anticipated a municipal allocation based a mix of transit ridership (70 per cent weight) and population (30 per cent weight).

Table 1 below details the budgeted 2022 City-wide COVID-19 related financial impacts against updated information on secured/anticipated and assured COVID-19 support funding; and the resulting financial position that is reflected in the year-end variance projections:

Table 1: Updated 2022 Anticipated COVID-19 Financial Impacts

Description \$Millions	2022 Budget	Estimated Fed/Prov Funding	Internal Savings	Remaining 2022 Shortfall
<b>COVID-19 Impacts</b>				
Transit*	561	415	21	125
Shelters	288	87	0	201
Other Municipal Pressures	491	14	77	400
Public Health	60	29	0	31
<b>Total COVID-19 Impacts</b>	<b>1,400</b>	<b>545</b>	<b>98</b>	<b>757</b>

<b>Further Funding Assumptions</b>	
Assumed Reimbursement of Public Health Costs	(31)
<b>Adjusted remaining COVID-19 Funding Shortfall</b>	<b>726</b>

\*Reflects updated City allocation of Federal/Provincial transit funding commitments

As a result of the changes noted above, the remaining COVID-19 funding shortfall is now estimated at \$726 million as compared to previously reflected \$703 million.

On November 30, 2022 the City also received a letter from the Ministry of Municipal Affairs and Housing stating that they would proceed to the provincial treasury board to secure a mandate for Ontario to provide the City of Toronto with funding to support up to one-third of its current operating deficit for our current fiscal year.

Table 2 below details the remaining 2022 COVID-19 funding shortfall, provided confirmation of 1/3 provincial funding towards the \$726 million pressure noted above:

Table 2: Remaining COVID-19 Shortfall and Potential Funding Commitments

Description	\$Millions
<b>Remaining COVID-19 Funding Shortfall</b>	<b>726</b>
Provincial Commitment (Up to 1/3)	(242)
<b>Potential Adjusted Remaining Shortfall</b>	<b>484</b>

While the City will require funding confirmation from the province prior to adjusting the 2022 projected deficit, the remaining COVID-19 funding shortfall would be reduced to \$484 million provided confirmation of provincial support towards 1/3 of the expected remaining shortfall of \$726 million. Furthermore, this pressure could be reduced to \$242 million if the federal government also committed to provide matching funding.

## FINANCIAL IMPACT

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As part of the Operating Variance Report for the Nine Months Ended September 30, 2022, the City projected unfavourable year-end net variance of \$784.9 million that included a \$703 COVID-19 funding shortfall. The projected year-end net variance now increases to \$807.9 million based on confirmation of the City of Toronto's allocation of transit specific COVID-19 support funding.

The continued impact of COVID-19 and any deviation from expectations as a result of the pandemic will impact variance projections. Any changes will be reflected in variance reporting for the twelve months ending December 31, 2022. Absent of any further intergovernmental COVID-19 funding support, a draw of up to \$426 million from the City's COVID-19 Backstop and a \$300 million reduction to the 2022 Capital Budget will be required to ensure the City maintains a balanced 2022 Operating Budget while

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addressing the financial impacts continuing to arise from the pandemic. A further draw of up to \$82 million from the Tax Stabilization Reserve may be required to offset yearend pressures not related to COVID-19 impacts, specific to the City's refugee response initiatives.

## **DECISION HISTORY**

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A staff report titled "2022 COVID-19 Intergovernmental Funding Update" was submitted to and approved by the City Council on May 11 2022. The report provided an update to City Council on funding received or committed from the Federal and Provincial Governments against the budgeted amounts to support the City on the COVID-19 pandemic impact, as well as mitigating strategies in the event the budgeted funding cannot be received on time.

<https://www.toronto.ca/legdocs/mmis/2022/cc/bgrd/backgroundfile-225633.pdf>

## **CONTACT**

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## **SIGNATURE**

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Heather Taylor  
Chief Financial Officer and Treasurer