

Strategy on MEEP Funding Allocation

ISSUE

Under the recently announced Municipal Economic Enhancement Program (MEEP), the City of Saskatoon (City) will receive approximately \$35.5 million from the Government of Saskatchewan related to financial recovery from the COVID-19 pandemic. The Administration is seeking direction from City Council on the strategy to best utilize MEEP funding.

RECOMMENDATION

That City Council direct the Administration to apply the strategy for MEEP funding as described in this report.

BACKGROUND

At its meeting on April 27, 2020, City Council considered a report from the Chief Financial Officer that estimated an operating deficit ranging between \$10 million and \$33 million for the 2020 fiscal year. This projected deficit is primarily due to revenue losses related to closures or adjusted operations resulting from restrictions and physical distancing to stop the spread of the virus. These projections included proposed cost reductions and service level adjustments that were approved by City Council at the same meeting.

Guided by a set of 12 principles for making decisions by the Administration and City Council, a key strategy was to ensure that capital programs would continue as best as possible to provide economic activity in the community. Maintenance of civic assets were fundamental to this approach. Therefore, reductions to reserve contributions that might impact projects and assets were limited as much as possible.

On May 6, 2020, the Government of Saskatchewan unveiled a two-year capital infrastructure program as part of its response plan to the COVID-19 recovery. The announcement included a \$2 billion funding increase over the estimates tabled by the Province on March 18, 2020.

Contained within this additional \$2 billion package is the Municipal Economic Enhancement Program. MEEP allocates almost \$150 million on a per capita basis to all Saskatchewan municipalities. The City will thus receive an estimated \$35.5 million to spend on eligible capital infrastructure projects.

DISCUSSION/ANALYSIS

The Administration is proposing a strategy for allocating and leveraging MEEP funding. The primary objective of the strategy is to maximize the benefit from the funding by achieving the goals of the program while simultaneously reducing the City's projected operating deficit.

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According to eligibility guidelines, MEEP funding can be applied to the following infrastructure project categories:

- Connectivity
- Disaster Mitigation
- Drinking Water
- Engineering and Feasibility Studies
- Green Energy
- Local Roads and Bridges
- Municipal Equipment
- Municipally-Owned Buildings and Assets
- Planning and Development
- Protective Services
- Public Health
- Solid Waste
- Recreation, Culture, Tourism and Sport
- Wastewater and Storm Water

Unlike other infrastructure programs, such as the federal Investing in Canada Infrastructure Plan (ICIP), MEEP is designed to act as a stimulus program in that projects are short term in nature and require little to no planning or consultation.

Some of the important features of MEEP include:

- The funding is flexible and covers virtually all types of municipal capital projects, including new and rehabilitation projects;
- There is no matching requirement, meaning the City does not have to come up with its own share of funding;
- Funds will flow to the City in advance of projects and therefore will not require claims for reimbursement of project expenditures;
- Projects are to be substantially completed within two years; and
- Projects for consideration must be submitted to the Province before the end of July.

Given these guidelines, the Administration is proposing to allocate the funding to both new and existing eligible capital projects. This approach maintains the strategy of proceeding with the City's capital investment plan during the pandemic. The funding will support that plan and allow for additional projects that were previously unfunded. This enables the City to proceed with investments in both infrastructure and thus, the broader economy.

The first part of this strategy provides an immediate injection of \$20.5 million into the City's capital program for use over the next two years. The Administration is currently reviewing the City's capital expenditures planned for this period. More specifically, it is reviewing any projects for consideration of MEEP funding which:

- meet the MEEP criteria and can be delivered within the two-year period;
- have been previously considered by City Council but are currently unfunded (for example, unfunded projects on the Reserve for Capital Expenditures list considered by City Council during the 2020/2021 Business Plan and Budget Process);
- have been included in existing funding plans that have future debt identified and increases in mill rate phase-ins for debt repayment; and
- are ineligible for funding under other infrastructure programs such as ICIP.

For the second part of this strategy, the Administration is proposing to leverage a portion of the MEEP funding to help offset the expected operating deficit. MEEP funds would be allocated to already-funded capital projects, and the original civic funding would be returned to a reallocation pool. This pool of funds can then be used for any purpose without restriction, including a one-time allocation to fund a shortfall in the operating budget for 2020 and potentially in following years.

To accomplish this, the Administration is proposing to reallocate approximately \$15 million to this pool that will be held until such time it is known if the federal government will provide financial relief to the City. Should these held funds not be required, they would be released for future capital projects or other one-time expenditures.

Due to the flexibility of MEEP, the Administration believes the negative impact that COVID-19 has had on the City's finances in 2020 can be largely offset by a combination of proper MEEP funding allocation in combination with the measures approved by City Council in April.

FINANCIAL IMPLICATIONS

The potential financial implications resulting from this strategy are explained in the Discussion/Analysis section of this report.

OTHER IMPLICATIONS

On behalf of municipalities across Canada, the Federation of Canadian Municipalities has requested a \$10 billion financial relief package from the federal government due to the COVID-19 pandemic. To date, there has been no response from the federal government on this request. However, the City is hopeful for some relief to offset the 2020 projected operating deficit and potential deficits that may occur in 2021 and beyond due to the lasting impacts from the pandemic.

NEXT STEPS

The Administration will present a report to Governance and Priorities Committee at its June meeting with a list of potential projects for the allocation of MEEP capital funding.

REPORT APPROVAL

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