APPROVAL REPORT

Canada Community Building Fund

ISSUE

The federal government recently announced the doubling of the federal gas tax for 2021 under the new name “the Canada Community Building Fund” in recognition of the extraordinary pressures faced by all orders of government and First Nations communities during the ongoing pandemic. The City of Saskatoon (City) would receive about $16 million in funding for future allocation once the funds are received.

RECOMMENDATION

That the Governance and Priorities Committee recommend to City Council that the following strategy be approved in principle for use of future Canada Community Building Funds:

1. That 25% of the expected funds be held in contingency to offset the financial risk in the 2021 fiscal year;
2. That 25% of the expected funds be transferred to the Fiscal Stabilization Reserve; and
3. That 50% of the expected funds be transferred to the Reserve for Capital Expenditures.

BACKGROUND

The Canada Community Building Fund allocation would provide an additional $7.2 billion nationally in support for urgent health care needs across the country, the COVID-19 vaccine roll-out, and for local infrastructure projects in Canadian cities and communities. This would provide an estimated $16 million for the City.

DISCUSSION/ANALYSIS

This unexpected funding is very much welcomed by the City and other municipalities across Canada to assist with impacts related to the pandemic. The Administration is awaiting further details on the timing, however, in anticipation of the receiving these funds sometime during the year, a high-level strategy is being proposed by the Administration to ensure use of these funds protect the City from potential financial risk and to allow the community to benefit at the same time.

While the announcement is encouraging, there is still some uncertainty as to the passing of the legislation and timing of the receipt of these funds for the City. The proposed funding is subject to approval by the Parliament of Canada. To facilitate the process, the Minister Deputy Prime Minister/Minister of Finance has introduced Bill C-25 in the House of Commons that contains provisions to permit this as well as other payments, and also amends the existing legislation to change the name of the Federal Gas Tax Fund to the Canada Community Building Fund. At time of writing, the Bill is sitting at First Reading. It requires three readings in both House of Commons and Senate and then must receive Royal Assent and Proclamation to be enacted. If the Bill does not pass the legislative process, the proposed fiscal arrangements cannot occur.

For example, if Parliament is deferred due to an election prior to the passage of the Bill, then business is terminated and may be considered at the next Parliamentary session.

Should the City receive these funds, the Administration is proposing a high-level strategy to allocate the funding that helps mitigate the financial risks facing the City's 2021 fiscal year and key reserves, while still enabling economic recovery funding for the community through key initiatives and projects. The proposed federal funding will follow the same criteria under the gas tax program so that municipalities can pool, bank and borrow against this funding that allows investment in 18 different project categories.

The Administration is proposing, for the use of these funds, to apply the funding to eligible projects for which City funding already exists and then reallocate the existing funding to a Reallocation Pool for maximum flexibility. These funds could then be used unconditionally by the City.

Based on this, the Administration is recommending a split of the funds, partly to mitigate the financial risks the City is facing regarding the impacts from the COVID-19 pandemic on operations and finances, and partly to provide funds for initiatives and projects aimed to achieve the City's strategic objectives while at the same time provide economic stimulus to the local economy.

With this high-level strategy, the proposed application of the funds is to hold in contingency approximately 25% ($4 million) to mitigate the risk in the 2021 Operating Budget. The budget was based on a number of assumptions regarding timing of when revenues could potentially rebound with the opening up of the economy and the pandemic coming to an end. In addition, City Council implemented a 1% property tax global reduction during the 2021 budget deliberations with hopes of other federal or provincial funding becoming available. Other risks within the budget included the remaining costs from the city-wide snow removal initiative due to the major snowstorm in early November 2020 as well as potential reductions to the Municipal Revenue Sharing Grant and assessment growth taxation revenue.

Should a deficit for the 2021 fiscal year not materialize, the following options could be considered once the 2021 year-end figures are finalized:

- Transfer any unspent contingency into the Snow and Ice Management Reserve which was depleted in 2020 to cover the snow removal program over-expenditure;
- Transfer any unspent contingency to the Reserve for Capital Expenditures (RCE) for allocation to future capital projects;
- Transfer any unspent contingency to the Fiscal Stabilization Reserve; or
- A combination of any of the above three options.

The Administration is also proposing that another 25% ($4 million) be transferred into the Fiscal Stabilization Reserve. The current balance, assuming the 2020 year-end deficit is confirmed at $701,813, is just over $4 million. As per Council Policy No. C03-003, Reserve for Future Expenditures, the minimum balance of the Fiscal Stabilization Reserve shall be 5% of the current year's tax-supported expenditures. This was established from best practice of the Government Finance Officers Association. Based on this formula, the reserve should currently have a balance of $13 million, which is equivalent to a 2.4% variance of the budget as a whole. This reserve protects the City in case of a significant deficit, and therefore the Administration is recommending the reserve balance be enhanced especially in these times of uncertainty.

The Administration is recommending that the remaining 50% ($8 million) of the reallocated federal funding be transferred to RCE for future capital projects or initiatives. This will allow key strategic projects to be funded without the need for property tax or civic reserve funding.

Any allocation of funds is unable to be undertaken at this time due to the uncertainty of passing of the legislation for the federal funding release as well as timing. The Administration is proposing that at the Governance and Priorities Committee (Committee) meeting on August 23, 2021, during the discussion of the 2022-23 Budget Options for consideration, that any proposed allocation of funding from the total RCE pool, which would include these new funds, be done at that time.

FINANCIAL IMPLICATIONS

The financial implications are outlined within the report.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

NEXT STEPS

The Administration will provide an update report to Committee on the expected federal funding as the information becomes available. In addition, the Administration will bring forward a 2022-23 Budget Options report to Committee at its August meeting with potential projects and initiatives for funding for consideration during the 2022-23 budget deliberations.

REPORT APPROVAL

Written and
Approved by: Kerry Tarasoff, Chief Financial Officer

Admin Report - Canada Community Building Fund.docx