Municipalities Newfoundland and Labrador

COVID-19 in Newfoundland and Labrador

Municipal responses, impacts & recommendations for recovery.

RESPONSE | IMPACT | RECOVERY

April 2021

Acknowledgements: This research was possible through funding support from Mitacs and a partnership between Municipalities Newfoundland and Labrador and the Professional Municipal Administrators. We acknowledge the research work of our Mitacs student intern, Katie Andrews. We would also like to thank municipal staff and councillors for sharing information with us over the course of this pandemic.

Table of Contents

Executive Summary

Municipalities Newfoundland and Labrador (MNL) is a membership-based organization representing the 275 incorporated municipalities in the province.

Over the course of the pandemic, MNL has played a key role in engaging its members – large and small - to facilitate conversation, to share important information and to gather knowledge about impacts at the municipal level.

This report is a synopsis of information gathered from surveys, interviews, interactive membership calls held over the course of the pandemic and over 250 emails received from members with COVID-related questions.

Our engagement work indicates that municipal social and fiscal leadership in Newfoundland and Labrador has been significant throughout the pandemic. Mayors and councils, most of whom are volunteers, have gone above and beyond to govern effectively through virtual engagement with each other and their residents. They have elevated a municipal voice and, through the support and activities of their staff, ensured that municipalities were compliant with Newfoundland and Labrador's ongoing public health measures. Municipal staff have worked tirelessly to share information, to support business continuity and to moderate the ongoing concerns of residents.

While we can attest that municipal responses to public health measures were relatively uniform, the impacts of these responses on municipalities as organizations varied. This variability is a product of municipal size and industrial composition, geography and pre-pandemic fiscal stability. It is also the product of fiscal management during the pandemic. The Federal Safe Restart Program funding for municipal operations played an important role in stabilizing the financial situation of many of our members in 2020, as did having easy access to a 90/10 provincial cost-shared program for community infrastructure (The COVID-19 stimulus program).

Municipalities will continue to face challenges in the years ahead. To get through this crisis and to avoid downloading pandemic costs to residents and businesses, municipal leaders and staff will need access to resources and funding in ways that will empower their work. They need flexible funding tools for right-sized, locally relevant solutions.

Based our engagement work with members, MNL is recommending the following:

1. That two funding support streams be available for municipalities including:
    a. An operational funding support stream to support ongoing municipal operational needs, including additional expenses related to COVID-19 provisions, and to offset lost revenue. This operational funding could be used to support any residential and/or business tax deferrals and discounts.
    b. An infrastructure funding support stream for projects designed to enhance municipal infrastructure. This support stream should be designed and delivered essentially the same as the provincial COVID-19 stimulus funding program. It should be flexible and based upon a 90/10 cost sharing ratio.

2. That all funding streams be flexible. Municipalities should be able to use the funding within each stream as they require. There should be no limits on stacking.

3. That all funding streams be without excessive administrative burden. We recommend that funding not be contingent upon applications. The design and delivery of Safe Restart operational funding to municipalities in Newfoundland and Labrador based upon a per capita formula and as a direct

transfer is optimal. However, should applications be considered necessary, they must be short and easy to complete. The provincial COVID-19 Stimulus Program provides an excellent example of an easy-to-use template.

4. That all funding streams be designed and delivered as multi-year opportunities. Access to multi-year funding enables municipalities to plan operations and infrastructure over time, as opposed to piecemeal.

Flexibility is critical for municipalities now and into the coming years. They need to be able to access funding resources quickly, without burden and constraint, and they need to be able to allocate those resources based upon the needs and pressures they are facing. What we see from our more recent follow up work with members is that they are working in very lean circumstances, but they have done the best they can with the resources they have.

Information Gathering with Members

One respondent noted:

"Where measures have only been put in place a couple of days and this is still early for our province, we're not even sure what to ask. I expect that to change over the coming days."

MNL has a long engagement, research and advocacy history. As a membership-based organization, it also attends to membership services based on identified need.

MNL has spent much of the past year engaging with its members around COVID-19 through a variety of media and methods to gather evidence. These engagements include:

- An initial concerns survey (March 2020)
- Regional calls (6 rounds from March to August)
- COVID-19 email (Over 250 emails received)
- Financial Impacts of COVID-19 Survey (April/May 2020)
- Leadership and wellness check-in survey (Women's Caucus)
- Follow up COVID impacts work (August/September 2020)
- Second follow up COVID impacts (March 2021)

Reports from the regional calls are published online here. A report back session for members occurred at MNL's first online conference, which aired in November 2020. This presents background information emerging from the initial concerns survey, the April/May financial impacts survey and the follow up impacts research done in August and September. It also draws upon the more recent impacts work follow up.

Background and Context

Ahead of the first series of regional online conference calls held from March 18 to 19, 2020, MNL released a self-administered questionnaire to its membership email list. The questionnaire asked 5 basic questions about their responses, concerns and unanswered questions. 154 people responded to this survey. From their responses, we learned that municipalities closed their offices, public building and facilities. They reviewed their emergency plans, if they had one, and communicated with the public through social media platforms or other means.

Their top concerns were the safety of their residents, particularly seniors, and slowing the spread of the virus. Secondary concerns included business continuity, including the need for revenue, and essential

service delivery. Questions posed focused on either of these two main areas, but several respondents admitted that the newness of the situation precluded any specific questions.
As municipalities remained closed, including their facilities, the need to account for the COVID-19 financial impacts became clear. MNL issued its first COVID-19 financial impacts survey in late April to members. The online self-administered questionnaire featured 48 questions across a variety of themes, including: taxation, human resources, loss of revenue and expenses related to COVID-19. Data reported here represent the completed responses of those 147 municipalities. Table 1 shows the distribution of municipalities represented by size.

Table 1: Municipalities represented in survey results by population size

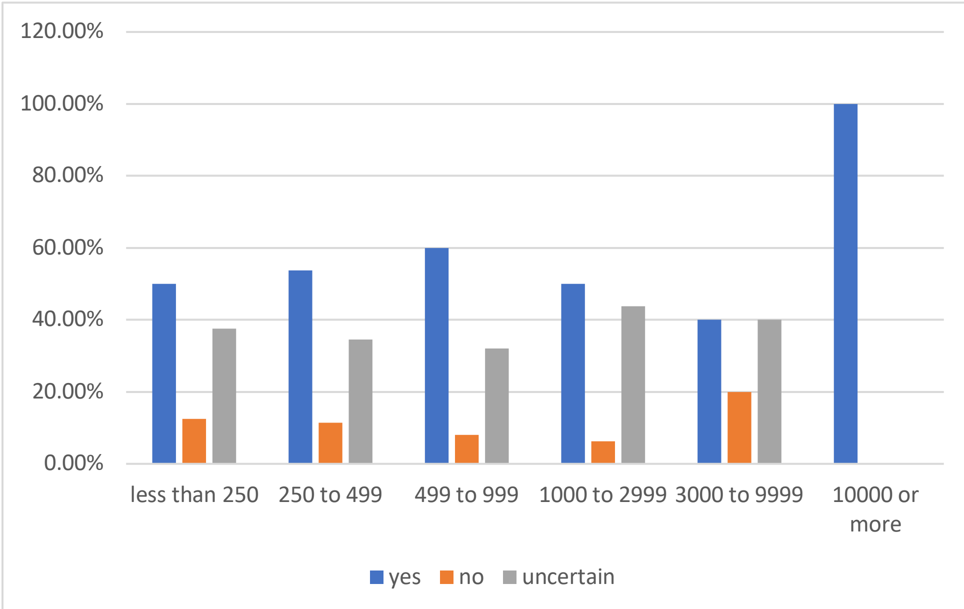
POPULATION SIZE	FREQUENCY	PERCENT
Less than 250	25	17
250 to 499	40	27.2
500 to 999	38	25.9
1000 to 2999	25	17
3000 to 9999	13	8.8
10000 or more	6	4.1
Total	147	100

Based on the survey, we found that:

- 34% of municipalities offered taxation deferral extensions;
- 24% extended their discount date;
- An average of 37% of residential property taxation was collected at the time of the survey;
- 25% of municipalities reduced staff hours;
- 29% issued staff layoffs;
- Most layoffs reported in office and administrative staff and tourism and recreation staff.
- 50% reported losing revenue as a result of COVID-19 at that time; a further 27% said that they were uncertain about revenue losses.
- 43% reported unplanned expenses as a result of COVID-19 at that time; 10% said that they were uncertain about unplanned expenses.

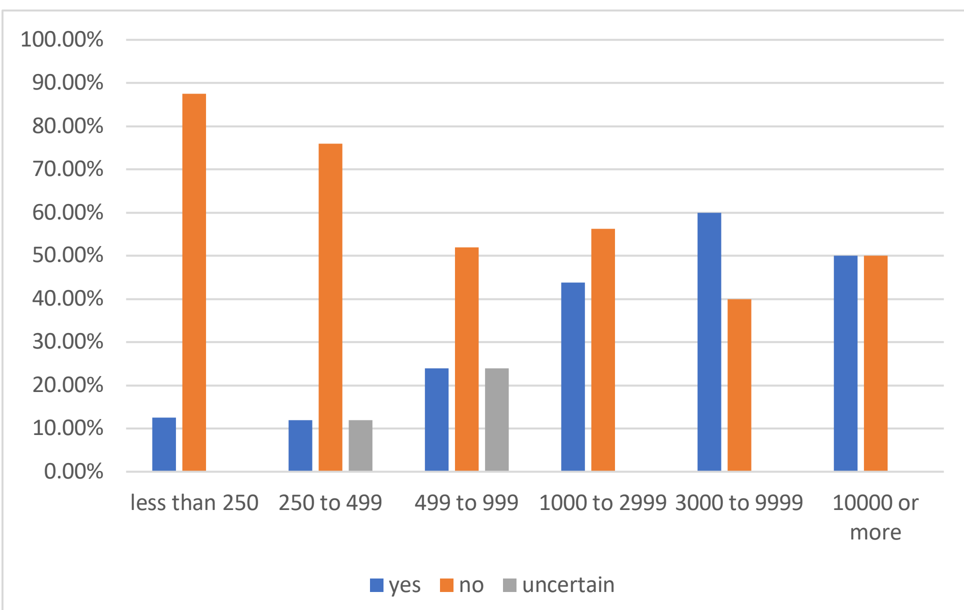
We asked respondents about their anticipated ability to balance their 2020 operational budgets. Of those responding, over half said that they would be able to balance the budget; 10 percent said no, and 37 percent reported that they were uncertain about whether this would be possible. Figure 1 shows the breakdown of these responses by municipality size.

Figure 1: Anticipation of ability to balance 2020 budget by municipality size (%)



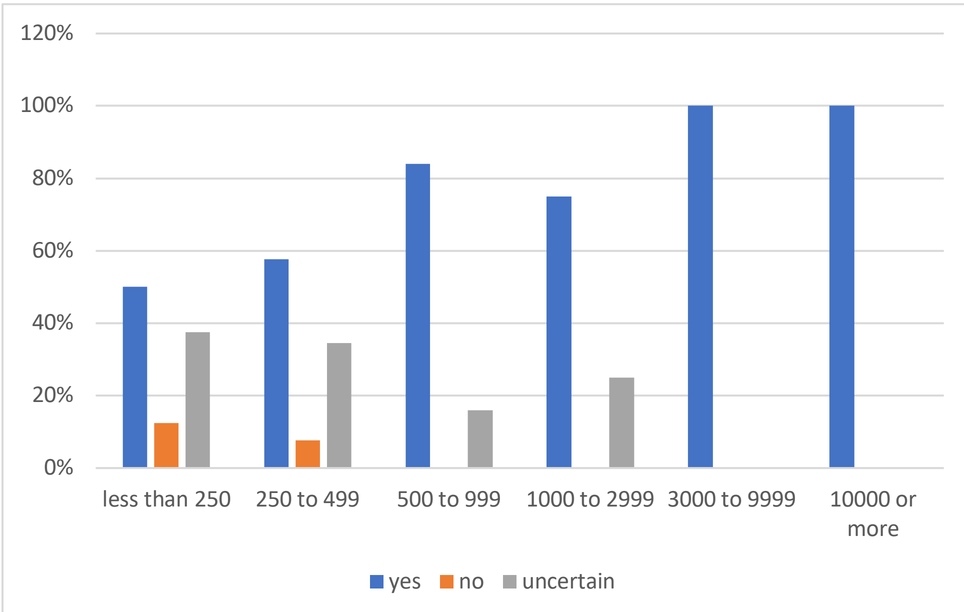
We asked about the availability of municipal emergency cash reserves in place before COVID-19. A quarter (25%) said they did have emergency reserves in place; 65% said that they did not, and 10% were uncertain. Figure 2 shows this distribution of responses by municipality size.

Figure 2: Presence of emergency cash reserves pre-COVID-19 by municipality size



There was concern that because of the COVID-19 financial reality for municipalities, they may not be able to contribute to cost-sharing for municipal infrastructure projects. We asked whether respondents thought this would be a possibility for the municipality if their projects were approved. Seventy (70%) said they would be able to contribute their share if approved; 4% said no and 26% said that they were uncertain. Figure 3 shows these responses by municipality size.

Figure 3: Anticipated ability to cover cost-share expenses for approved projects in 2020



Results from these survey data indicate several key things. Early in the pandemic, the financial impacts of closures and added expenses were a concern. For many of the smaller municipalities, uncertainty about the extent and nature of these impacts over the short and longer term was common. The early pandemic data gathering alerted us to the potential extent of financial vulnerability in the sector. If we use uncertainty as an indicator of vulnerability, we can conclude that our smaller municipalities, of which our sector is largely comprised, were the most vulnerable. But we also see mid-sized municipalities (3000 – 9999) were uncertain as to whether they would be able to balance 2020 budgets (40%); 20% anticipated that this would not be a possibility. Cost-sharing for infrastructure projects is normal practice. Municipalities financially plan for their cost-sharing requirements well in advance. We see vulnerabilities here as well through the reporting of uncertainty. While most municipalities responded that they would still be able to cost-share, others (e.g., the smallest) said that this would not be possible or that they were uncertain.

MNL recognized that data from the initial impacts survey were early snapshots in the municipal pandemic timeline in Newfoundland and Labrador. Follow-up phone interviews were done with elected and/or senior administrative representatives of 19 municipalities in late August and early September to check in on the financial impacts and to determine where pressure points remained.

Respondents were asked again if they anticipated a budget shortfall for 2020. Of those who responded, nearly half said yes. Shortfall amounts ranged from $20,000 to over $300,000. All 19 municipalities indicated that they had additional, unplanned expenses related to COVID-19. These expenses (in order of most often cited to least) included: personal protective equipment, hiring for sanitization, technology, and signage.

The top five concerns of those responding to the phone interview were as follows:

- Overall loss of revenue;
- Business Tax;
- Community Health;

- Paying monthly bills;
- Property values and residential taxes;
- Tourism.

What we see here is a shift from the initial engagement concern priorities. As we moved deeper into the pandemic with fewer COVID-19 cases but prolonged closures and increased protocol demands for facility reopening/return to work and play, the financial realities for municipalities were top of mind. Of particular concern was business tax and the collection thereof.

Municipalities rely on business tax collection as a prominent source of revenue alongside property tax. Businesses across the province closed for a substantial portion of 2020. Many seasonal businesses, particularly those in the tourism sector, did not reopen. Some remain closed. Charging business tax and/or offering discounts on business taxation are actions completely within the purview of each municipality. Some municipalities put discount measures in place last year to support the business community.

Current municipal COVID realities in Newfoundland and Labrador

A year into the pandemic, MNL checked in with senior administrators of six of our member municipalities who participated in the April/May impacts survey and the August/September follow up. Three respondents represented our smallest municipalities (less than 250 people); one represented a slightly larger community (250 to 499 people); and one represented a community with between 500 and 999 people. One respondent represented a municipality with between 3000 and 9999 people and one represented a municipality of more than 10,000 people.

We asked respondents about their 2020 budgets, their biggest challenges over the past year, their 2021 budgets and their biggest challenges heading into the next few months. We asked them about the impact of the Safe Restart Agreement funding, which was announced in October and dispersed in November. We also asked about their experience with the provincial government's COVID-19 stimulus funding program for community infrastructure, announced in November. We wanted to know what kind of funding opportunities they need now and how they would like those opportunities to be available.

All respondents indicated that the availability of the Safe Restart funding, especially in the late fall when cash flow is slowest, was integral to getting through 2020. As one respondent from a small municipality (500 – 999 people) noted, without the Safe Restart funding, they would have been worried; it offered them the opportunity to breathe "a sigh of relief".

Based on discussions with these six municipalities, the funding was used in a variety of ways to address their needs, including: to offset revenue losses and additional pandemic costs; to avoid downloading pandemic costs onto residents and businesses; to cushion and/or defer planned fee and taxation increases, and to use toward pressing needs in the municipality. This was the intent of the funding request here. MNL's advocacy to the provincial government indicated that access to the funding had to be easy and without administrative burden. It also needed to be flexible.

It was clear from discussions about their 2020 budgets that these municipalities exercised fiscal prudence throughout 2020. Despite the initial uncertainties reported regarding losses and the potential to balance budgets, the smaller municipalities planned appropriately and responded in ways to retain the integrity of their budgets, as well as the budgeting process. The larger municipalities also took measures to ensure solid fiscal management by reducing expenditures and cutting non-essential project plans. These fiscal measures, along with the Safe Restart funding, enabled these municipalities to end their 2020 budget year balanced.

Measures of fiscal prudence continue in to 2021. For the smallest municipalities, they report that their operational budget is about the same as the previous year, with only slight changes. In two instances, no tax or mil rate increases occurred. In the other, residential and business tax increases were implemented, something which the respondent admitted were also long overdue. The municipalities in the 250 to 999 population range also indicated a few changes, although for the most part things remained the same. One respondent in this group specifically noted budgeting for additional COVID expenses, cuts to travel and training expenditures, and the need to consider possible provisions for businesses seeking relief from another challenging season. Currently, they are not able to provide such tax relief. The mid-sized urban municipality (between 3000 and 9999 people) indicated that the budget will also remain largely the same, but that considerations as to the possibility of providing business discounts are still under discussion. The largest municipality in the group reported the most significant budgetary change (a 3.5% decrease). Cost savings were realized throughout 2020 through project delays and deferred hiring. In order to avoid raising taxes, the municipality is heading in to 2021 with a lean fiscal approach. Some planned positions will not be going ahead and have been removed from the budget entirely to enable cost-savings.

Five of the six municipalities availed of the provincial COVID-19 Stimulus Program funding opportunity available through the provincial government in late 2020. In total, 254 municipalities applied for and received funding through this program. The municipal funding share totaled nearly $2.6 million, while the province contributed over $23 million. Because this was a flexible funding opportunity that could be easily accessed and only required a 10 percent municipal share, it was highly subscribed.

For those municipalities represented here who applied, the funding was used to support projects that either could not get funding because the request/need fell outside of other infrastructure funding streams or were denied in a previous call for infrastructure funding. Several of the application focused on funding the outstanding pieces of ongoing infrastructure project activity. Respondents liked the flexible approach and the ease in access.

Findings indicate that the piecemeal annual call approach to funding municipal infrastructure in this province is problematic for municipalities, particularly smaller ones who do not have access to multi-year capital works funding and who do not have large amounts of money in any given year to support their municipal share. The need for upgrades, however, remains in these municipalities.

We asked respondents what they need but are doing without right now, and what future funding opportunities they would like to see to support their work and their communities. In most cases, these municipalities need access to funding to support capital project activities that cannot currently be funded under existing streams or have been denied funding. They report that the current provincial approach to funding is restrictive. It forces them to address need in a piecemeal approach. Some project work can be funded, while other projects cannot yet they are related. The long-term results of this approach, they indicate, is that it costs more money in the end. One respondent noted that the importance of capital funding is critical going forward because it has greater economic impacts. The capital funding slowdown in the province over the past year and recent months as a result of leadership changes and prolonged election were also noted as particular stumbling blocks. Also important is the comment that while municipalities are expected to be diligent and accountable with meeting deadlines and providing information, the same logic is not applied to the province itself. Respondents admit that access to operational funding is also essential to support planning, and again, to offset costs and/or to cushion future uncertainties for both businesses and residents. One respondent noted the importance of the provincial operational funding support for arenas and pools as particularly good initiative. For the larger municipalities, access to any additional operational funding is supportive since they are not eligible for the provincial municipal operating grant (MOG).

Conclusion and recommendations

The COVID-19 2020 reality for municipalities in Newfoundland and Labrador has been challenging. Municipal councils and staff have met that challenge by providing leadership at every step along the way. MNL's engagement with members shows that municipalities in this province are vulnerable to the kind of shock elicited by the pandemic. They were vulnerable before the pandemic. Despite these vulnerabilities, municipalities large and small did make it to the end of 2020 with some degree of fiscal stability. This was only possible as a result of fiscal prudence, a lean local approach enacted by senior municipal staff and financial support made possible by the Federal Government through its Safe Restart Agreement to the province, and various provincial funding supports announced by the Department of Environment Climate Change and Municipalities.

Municipalities are cautiously moving into 2021 with some optimism. But optimism requires support and an aligned approach from the provincial and federal governments that recognizes that municipalities are the heart of economic recovery. To get through this crisis and to avoid downloading pandemic costs to residents and businesses while also supporting recovery, municipal leaders and staff will need access to resources and funding in ways that will empower their work and provide them with confidence to act. They need flexible funding tools for right-sized, locally relevant solutions.

Based our engagement work with members, MNL is recommending the following:

1. That two funding support streams be available for municipalities including:
    a. An operational funding support stream to support ongoing municipal operational needs, including additional expenses related to COVID-19 provisions, and to offset lost revenue. This operational funding could be used to support any residential and/or business tax deferrals and discounts.
    b. An infrastructure funding support stream for projects designed to enhance municipal infrastructure. This support stream should be designed and delivered essentially the same as the provincial COVID-19 stimulus funding program. It should be flexible and based upon a 90/10 cost sharing ratio.

2. That all funding streams be flexible. Municipalities should be able to use the funding within each stream as they require. There should be no limits on stacking.

3. That all funding streams be without excessive administrative burden. We recommend that funding not be contingent upon applications. The design and delivery of Safe Restart operational funding to municipalities in Newfoundland and Labrador based upon a per capita formula and as a direct transfer is optimal. However, should applications be considered necessary, they must be short and easy to complete. The provincial COVID-19 Stimulus Program provides an excellent example of an easy-to-use template.

4. That all funding streams be designed and delivered as multi-year opportunities. Access to multi-year funding enables municipalities to plan operations and infrastructure over time, as opposed to piecemeal.

Flexibility is critical for municipalities now and into the coming years. They need to be able to access funding resources quickly, without burden and constraint, and they need to be able to allocate those resources based upon the needs and pressures they are facing. What we see from our more recent follow up work with members is that they are working in very lean circumstances, but they have done the best they can with the resources they have.