

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON JUNE 23, 2020
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	COVID-19 FINANCIAL IMPACTS – UPDATE

RECOMMENDATIONS

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, with the concurrence of the City Manager:

- a) The overview of projected financial impacts of COVID-19 on the Corporation of the City of London and the measures taken to date to address these pressures **BE RECEIVED** for information;
- b) The following actions **BE ENDORSED** to further mitigate the financial pressures caused by COVID-19:
 - i. The additional operating service adjustments identified in this report be approved, noting the anticipated service impacts associated with these actions;
 - ii. The deferral of capital projects totalling \$3,539,000 identified in this report be approved, noting the anticipated service impacts associated with these deferrals;
 - iii. Civic Administration be authorized to take the necessary actions to adjust the 2020 capital budgets and associated funding sources referenced in part (ii);
 - iv. The deferral of 2020 additional investments approved during the 2020-2023 Multi-Year Budget totalling \$1,345,000 identified in this report be approved, noting the anticipated service impacts associated with these deferrals;
- c) The measures being taken by the City’s Agencies, Boards and Commissions and other funded organizations to mitigate their financial challenges **BE RECEIVED** for information;
- d) A one-year deferral of the annual loan repayment for RBC Place **BE APPROVED**;
- e) The extension of the waiver of late payment charges for unpaid water & wastewater billings through July 2020 **BE ENDORSED**, it being noted that this is consistent with London Hydro’s approach for electricity late payment charges;
- f) Civic Administration **BE AUTHORIZED** to take the actions necessary to waive the applicable fees associated with permits and encroachments to assist London businesses with reopening items such as temporary restaurant patios, curbside pick-ups, vending stands and other applicable business practices; and
- g) The proposed approach for the 2021 Annual Budget Update outlined in this report **BE ENDORSED**.

LINK TO THE 2019-2023 STRATEGIC PLAN

Council’s 2019-2023 Strategic Plan for the City of London identifies “Leading in Public Service” as a strategic areas of focus. One of the objectives under this strategic area of focus is to maintain London’s finances in a well-planned manner to balance equity and affordability over the long term. This report summarizes the estimated financial impact of COVID-19 to the City, and outlines the measures that are being taken, as well as further proposed measures, to mitigate these financial challenges.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

COVID-19 Financial Impacts and Additional Options for Community Relief, Strategic Priorities and Policy Committee, April 28, 2020: <https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=72691>

Property Tax Deferral Options, Corporate Services Committee, April 14, 2020: <https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=72459>

BACKGROUND

The novel coronavirus (COVID-19) continues to cause unprecedented health, social and economic challenges locally, nationally and globally. While efforts to “flatten the curve” to prevent the spread of the virus appear to be having success locally, the financial consequences to the City of London continue to be experienced, and are likely to continue to for the foreseeable future.

On April 28, 2020, the Strategic Priorities and Policy Committee (SPPC) received a report entitled *COVID-19 Financial Impacts and Additional Options for Community Relief*, which included preliminary estimates of the financial impact of COVID-19 to the City as well as a number of measures intended to provide relief to Londoners and businesses. At the time of writing that report, the projected total financial impact of the pandemic was estimated to be in the range of \$22 million to \$33 million.

The purpose of this report is to:

- Provide an update on the projected financial impacts of COVID-19 including the measures that have been taken since the previous report to mitigate the financial pressures;
- Outline other recommended measures to address the financial challenges the City is experiencing;
- Provide an update on the actions taken by the City's ABC's and other funded organizations to address the impacts of COVID-19 on their organizations;
- Obtain Council's approval for a one-year deferral of RBC Place's annual loan repayment to provide cash flow assistance to that organization
- Obtain Council's endorsement for an extension to the waiver of late payment charges for unpaid water & wastewater billings;
- Obtain Council's approval to waive the fees associated with permits and encroachments to assist London businesses with temporary restaurant patios, etc.; and
- Provide a summary of the proposed approach for the 2021 Annual Budget Update for Council's endorsement.

UPDATED FINANCIAL IMPACTS OF COVID-19

Measures Implemented Since Last Update:

Since reporting to SPPC on April 28th, Civic Administration has taken a number of steps to minimize the financial impacts of COVID-19 on the Corporation. These actions were guided based on the following principles:

- Deliver essential and vital services, and adjust those services in response to the reopening of Ontario;
- Prioritize health and safety of the community and staff;
- Balance service levels with fiscal pressures;
- Prioritize service delivery supporting economic recovery and for those most vulnerable;
- Take temporary and one-time actions to address pressures to minimize long term impacts;
- Minimize impact on strategic priorities

Based on these principles, the actions taken to date include:

- Due to a reduction in work volumes, significantly reduced the number of temporary and casual employees to be hired for the summer season and placed approximately 200 full-time staff on Declared Emergency Leave (DEL) pursuant to the provisions of the *Employment Standards Act*,

- Implemented a temporary hiring freeze for all vacant positions, with only a few limited exceptions for critical positions required for business continuity;
- Continue to limit discretionary spending, defined as any costs which are not essential and can be deferred with limited consequences;
- As reported through the 2019 Year End Operating Budget Monitoring report and approved by Council on May 19th, the 2019 operating budget surplus of \$3.2 million was contributed to the Operating Budget Contingency Reserve (OBCR) to offset the impacts of the pandemic;
- As reported through the 2019 Year End Capital Budget Monitoring report and approved by Council on May 19th, preliminary source of financing adjustments totalling approximately \$400,000 were identified that will be utilized to mitigate 2020 operating budget pressures.

The financial impacts of the above noted measures are reflected in Table 2 below.

Updated Estimated Financial Impacts:

Civic Administration has undertaken a comprehensive analysis to review and update the estimated financial impacts resulting from COVID-19. Summarized in Appendix A are Tables A to D that outline the projected financial impacts as of June 12th on the property tax supported (civic service areas) budget, water and wastewater & treatment budgets, boards & commissions' budgets and other funded organizations, as well as other projected financial impacts. A detailed breakdown of the estimated financial impacts is included in Appendix B. As a reminder, the *Municipal Act, 2001* requires that any municipal deficit must be funded at year-end or recovered in the subsequent year's budget. As such, significant deficits could impact future service levels. For context, without the measures outlined later in this report, a financial impact of \$14.3 million to \$19.2 million (as outlined in Table 1 below) could result in an additional one-time tax levy increase of 2.2% to 3.0% if not otherwise funded.

The following table below aggregates all projected financial impacts separately by category that are reflected in Appendix A:

Table 1 – Summary of Projected Financial Impacts:

Category	Impact through June (\$M)	Impact through August (\$M)
Property Tax Supported Civic Service Areas Budgets	\$3.2	\$2.9
Boards & Commissions Budgets	\$9.2	\$13.2
Other Projected Financial Impacts	\$1.9	\$3.1
Subtotal – Excluding Water & Wastewater	\$14.3	\$19.2
Water and Wastewater Budgets	\$2.6	\$2.6
TOTAL:	\$16.9	\$21.8

As noted above, a number of measures have been implemented since the April 28th update to SPPC to mitigate the financial impact of the pandemic. These are summarized in Table 2 below:

Table 2 – Financial Impact of Measures Implemented to Date:

Category	Impact through June (\$M)	Impact through August (\$M)	Notes
Estimated Impacts (excluding Water & Wastewater) from Table 1	\$14.3	\$19.2	Includes estimated savings from delayed/reduced hiring of casual staff, implementation of Declared Emergency Leave, and hiring freeze totalling \$6.5M - \$12.7M.
Cost of Immediate Relief Measures		\$0.4	Refer to April 28 th SPPC report
Preliminary Source of Financing Adjustments		(\$0.4)	2019 Year-End Capital Monitoring Report – May 11 th Corporate Services Committee
2019 Operating Surplus Contributed to OBCR		(\$3.2)	2019 Year-End Operating Monitoring Report – May 11 th Corporate Services Committee
Net Total Estimated Impact:	\$11.1	\$16.0	

Cash Flow Impacts:

Civic Administration continues to actively monitoring the Corporation's cash flow on a daily basis and review various scenarios to assess the impact on cash reserves. Based on the results of this analysis, it is anticipated that the City will have sufficient cash resources necessary to service its obligations. As approved by Council on June 2nd, the City was successful in completing its issuance of \$36 million of debentures at favourable rates. This transaction settled on June 5th and provides a valuable cash infusion to continue to sustain the Corporation's liquidity. Additionally, on June 1st, the Federal government announced that it would be flowing Federal Gas Tax funding to municipalities in one instalment in June, rather than the typical two instalments per year. London's 2020-21 allocation is approximately \$23.3 million. This will also provide a meaningful benefit to the City's cash flow forecasts.

It should be reiterated, as originally noted in the April 28th report to SPPC, that any further relief/recovery measures undertaken may require the City to utilize its reserves and reserve funds in order to maintain sufficient liquidity.

FURTHER MEASURES TO ADDRESS PRESSURES – CIVIC SERVICE AREAS
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Adjustments to City Operations and Service Levels:

During the course of the COVID-19 pandemic, the City has made a number of adjustments to its operations to comply with Provincial orders and social distancing requirements. It is recommended that these adjustments will remain in place for the foreseeable future. Additionally, a number of further adjustments to operations are anticipated in the upcoming months as recovery from the pandemic continues. The financial impact of the following proposed service level adjustments are already captured and accounted for in the estimates of the projected financial impacts for 2020 outlined in the previous section. Any incremental changes in service levels will impact the projected financial costs. The additional proposed changes to service levels are outlined in Table 3 below.

Table 3 – Additional Proposed Service Adjustments:

Ref	Service Area	Proposed Additional Service Adjustments
BY-LAW ENFORCEMENT AND PROTECTIVE SERVICES		
1	Animal Services	"Catty Shack" to remain closed through summer.
2	By-law Enforcement	Additional support of Core Area Action Plan and Coordinated Informed Response slow to ramp up due to hiring freeze.
PARKS		
3	Parks Operations	Park and roadside grass cutting – bulk cutting only, no trimming. Reduced locations for annual flower planting. Modified maintenance of median planters.
4	Parks Planning & Design	Many projects will be interrupted and/or deferred.
RECREATION & CULTURE		
5	Arenas	All arenas will remain closed until September.
6	Aquatics	Sites will be reopened in July with modified programming and locations. Oakridge and Carling Heights will not reopen because they are being utilized as assessment centres.
7	Centennial Hall	Re-opening and scheduling of events will be contingent on provincial direction regarding gatherings.
8	Community Centres	All community centres will be closed for all activities until September except for summer day camps and current tenants who offer programs in line with the provincial guidelines. Civic Gardens will remain closed until September.
9	Community Development & Funding	The annual Neighbourhood Decision Making program will not occur in 2020.
10	Golf	Fanshawe and Thames Valley will continue to operate with limited food and beverage service. No tournaments will be planned. (45 + 27 holes) River Road Golf will remain closed for the season. (18 holes)
11	Special Events	Likely to be limited special events to support in summer 2020.
12	Sports Services	Likely to be limited sporting events to support in summer 2020.

Ref	Service Area	Proposed Additional Service Adjustments
		It is anticipated that a reduced baseball, cricket and soccer season may occur in July and August. Sports fields are being cut to protect the investment in turf quality but not to a “game” standard.
13	Storybook Gardens	Operations to be restricted to limited summer camps in July and August.
14	Tourism London	Tourism will be a key component of economic recovery for London and region. Virtual and in person services will provide the catalyst as provincial stages are unveiled.
SOCIAL SERVICES		
15	Children’s Services	See “Other Factors with Possible Future Financial Implications” section for details.
16	Dearness Home	Non-essential visitors, programming, and the Adult Day Program to remain modified or reduced through the end of 2020 or until such time as health guidance allows for reinstatement.
17	Immigration Services	Modified and reduced support for the Newcomer Strategy and London & Middlesex Local Immigration Partnership programming, as well as some programs and events are delayed or cancelled for 2020.
18	Ontario Works and Housing Services	Ontario Works and Housing Services will continue to provide minimal services with plans to scale up in the Fall depending on direction from the Province.
TRANSPORTATION		
19	Transportation & Roadways	New sign programs are on hold but signs needed for safety will continue. Walkway cleaning is suspended. All-way stop counts, traffic signal and pedestrian accommodation counts, and traffic calming studies are suspended unless deemed an imminent safety risk by staff. Sign replacements and other traffic management operations will have increased response times. Road maintenance (manhole and catch basin resetting) will have increased response times, unless deemed necessary for safety reasons. Sidewalk, curb and gutter repairs will be emergency only.

Extension of Temporary Hiring Freeze:

As noted above, Civic Administration has implemented a temporary hiring freeze affecting all vacant positions corporately, with limited exceptions for critical positions required to maintain business continuity. In order to offset the Corporation’s financial challenges, it is being recommended that this hiring freeze be extended through August 2020.

The service impacts associated with this hiring freeze should not be overlooked as they will affect many services across the organization. These impacts include:

- Potentially slower response times in providing service to internal and external customers;
- Increased pressure on employees;
- Increased vacation liabilities as remaining staff do not have the capacity to take as much of their allotted vacation time as they normally would.

Review of 2020 Capital Projects:

Civic Administration has undertaken a thorough review of planned 2020 capital projects to assess whether there are any projects that will be deferred, being mindful of the important recovery role that construction projects can play. The focus of this review was primarily on capital projects that were entirely funded by capital levy (pay-as-you-go financing), tax supported reserve fund contributions or Federal Gas Tax. By deferring these projects, the associated capital levy or reserve fund contribution is no longer required, thereby providing relief to the City’s operating budget pressures. Similarly, deferral of Federal Gas Tax funded projects allow funding to be adjusted such that similar savings can be achieved in the operating budget. A limited number of projects were identified with minimal service impacts, which are outlined in Table 4 below.

Table 4 – 2020 Capital Projects Recommended for Deferral:

Ref	Capital Project	Budget	Amount to be Deferred	Impact of Deferral
1	UF2047 URBAN FOREST STRATEGY	\$1,200,000	\$700,000	Reduced tree planting is expected to occur due to COVID-19, along with increased recoveries from new subdivision plantings and cancellation of Tree Me events.
2	PK102320 MAINTAIN DISTRICT PARKS: Thames Park Jesse Davidson Foxfield	\$250,000 \$50,000 \$250,000	\$250,000 \$50,000 \$250,000	Delay in improvements to amenities in these locations.
3	TS620020 OPERATION FACILITIES: Facility Condition Studies	\$20,000	\$20,000	Work could be deferred with minimal service impacts.
4	PK206320 MAINTAIN OPEN SPACE: Hyde Park Operational Open Space Requirements	\$260,000 \$250,000	\$260,000 \$250,000	Delay in improvements to amenities in these locations.
5	UF2044 MANAGEMENT OF EMERALD ASH BORER (EAB)	\$400,000	\$200,000	Funds provide for the continued removal of EAB deadstock in parks and replacement with new trees at a 3:1 ratio. Removals will continue for safety reasons, but replacement trees will not be planted in 2020.
6	PK217320 MAINTAIN SPORTSPARK: Maintain Sport Park Amenities	\$150,000	\$150,000	Delay in improvements to amenities in these locations.
7	GG1589 FACIL MTCE-SECURITY	\$250,000	\$75,000	Delayed security enhancements to City facilities.
8	UF112920 DOWNTOWN STREET TREE PLANTING	\$225,000	\$225,000	Funds were to provide for enhanced tree planting associated with Downtown construction projects. Program will fall behind by a year and only those plantings that can be supported within existing project budgets will proceed.
9	CS618620 CENTENNIAL HALL UPGRADES Repl. Electric Components New Condition Studies	\$40,000 \$20,000	\$40,000 \$20,000	Work could be deferred with minimal service impacts.
10	PD1218 LONDON'S DOWNTOWN PLAN – SMALL PROJECTS	\$100,000	\$100,000	Miscellaneous downtown small scale projects would not occur in 2020 & would resume in 2021.
11	SH2755 ONTARIO WORKS CAPITAL	\$90,000	\$85,000	Reduced spending on lifecycle renewal across Ontario Works offices.
12	TS1025 SURVEY EQUIPMENT REPLACEMENT	\$200,000	\$60,000	2020 equipment has already been purchased and no additional funds are urgently required this year.
13	RC274920 PARK FACILITIES MJR UPGRADES McKillop Field House	\$300,000	\$300,000	Delay in improvements to amenities in these locations.

Ref	Capital Project	Budget	Amount to be Deferred	Impact of Deferral
14	GG154820 NORMAL SCHOOL MAINTENANCE	\$50,000	\$50,000	Work could be deferred with minimal service impacts.
15	UF275420 WOODLAND MANAGEMENT	\$104,000	\$104,000	Do not advance ongoing creation of woodland management plans funded in 2020.
16	UF276820 WOODLAND FEATURES	\$50,000	\$50,000	Progress on woodland features improvements and acquisitions can be discontinued in 2020.
17	EV6020 ACTIVE TRANSPORTATION	\$300,000	\$300,000	Funds intended for capital investment in a bike or e-scooter share program or related active transportation project. COVID-19 makes consultation, construction and operation of such a program change impractical. No spending in 2020 required. Budgeted \$300,000 in future MYB years is still required.
	TOTAL:		\$3,539,000	

2020 Additional Investment Business Cases:

Consistent with the review of planned 2020 capital spending, Civic Administration reviewed 2020 additional investment business cases approved during the 2020-2023 Multi-Year Budget, with a focus on the additional investments that are unlikely to proceed as a result of the pandemic. The results of this review and the corresponding service impacts are noted below in Table 5 for Council's consideration. Deferring this additional investment spending will provide further relief for our operating budget pressures.

Table 5 – 2020 Additional Investments Recommended for Deferral:

Ref	Additional Investment Business Case	Budget	Amount to be Deferred	Impact of Deferral
1	60% Waste Diversion Action Plan	\$700,000	\$275,000	Adjust timeframe for project from 3 year to 4 years to reflect delays in hiring staff, reduced capacity with existing staff and potential vendors (e.g., manufacturing sector), etc.
2	City of London Infrastructure Gap – Part B	\$750,000	\$750,000	The City of London has a 10 year projected infrastructure gap of \$568 million. Deferring this funding would result in the inability to reduce the infrastructure gap by approximately 0.4% as was planned with this funding.
3	Climate Emergency Declaration - Implement Green City Strategy Initiatives	\$90,000	\$90,000	Due to the pandemic, spending on implementing the Transportation Management Association (\$30,000) and the proposed Bike Share Program (\$60,000) will not occur in 2020 as feasibility study work on both projects is delayed.
4	Community Improvement Plan - Building Projects	\$30,000	\$30,000	Deferral of this funding will result in the inability to contribute to small-scale projects in CIP areas in 2020, noting that the ability to implement these types of projects may be affected by the COVID-19 pandemic.
5	Street Light Local Improvement	\$200,000	\$200,000	New shared-cost local improvement program with residents would commence in 2021 instead of 2020.
	TOTAL:		\$1,345,000	

NOTE: A review of the initiatives approved as part of the Core Area Action Plan Additional Investment Business Case is currently ongoing, with a separate report on this matter anticipated in July.

2020 Assessment Growth Funding Allocations:

As noted in the accompanying report on the June 23rd SPPC agenda (“2020 Assessment Growth Funding Allocation”), available assessment growth funding for 2020 totals approximately \$13.2 million, including carry-over from prior years. Of this amount, Civic Administration has allocated approximately \$6.9 million, representing about half of the available assessment growth funding. Included in these allocations, Civic Administration is allocating \$1.095 million of the assessment growth funding to the London Transit Commission (LTC) to be utilized to address LTC’s revenue shortfall due to rear door boarding and the inability to collect fare revenues due to social distancing requirements. As a result of the significant disruption caused by the pandemic, LTC has decided to postpone their planned service hours expansion to 2021. Further information can be found in the following report to the London Transit Commission: <http://www.londontransit.ca/staff-report-8-covid-19-financial-impacts/>. All other approved assessment growth requests have received half of their requested operating funding allocations for 2020, and the full amount of any capital funding requested.

Civic Administration is not recommending allocating the remaining assessment growth funding at this time pending further announcements regarding potential federal and/or provincial support to municipalities. In the event that London does not receive any support from other levels of government, all or a portion of the remainder of the available assessment growth funding may not be allocated and will instead be utilized to mitigate our significant 2020 budget pressures on a one time basis. However, it is critical to note that should this occur, there will be numerous adverse consequences on the ability of the Corporation to expand services to meet the growing demands of the community. These consequences include:

- Generally speaking, one of the City’s core financial principles – that growth should pay for growth – would not be able to be upheld.
- Full funding requests will not be fulfilled, noting that this will have a significant impact on the Corporation’s ability to “keep up” with the growing demand for services across the organization. For services that are required to be delivered regardless of the amount of assessment growth funding received, they will be required to identify other savings within their budgets to offset these pressures.
- Many of the “core services” that residents rely on daily would be affected such as:
 - All homes in London are eligible for garbage and recycling services. These costs cannot be avoided or reduced. Recycling and composting are mandatory services as per regulations from the Provincial government;
 - Reduced funding to support maintenance of new roadways, traffic signals and street lights across the City, potentially reducing the level of service across the system;
 - Resources to support growing service demands in parks operations and roadside maintenance would not be added, potentially reducing further the level of service across the system;
 - Increased liability risk associated with reduced maintenance of trees located in boulevards, parks, woodlands and forests, including newly assumed boundary trees.
 - Inability to start setting aside funds to pay for the eventual operating costs of new Fire Station 15 and a new aerial company, creating additional cost pressures in future years;
 - Additional police positions would not be able to be hired to support continued growing demand for policing services that is largely unaffected by the pandemic;
 - Reduced capital reinvestment for new assets added to the City’s inventory due to growth, including roadways, streetlights and sidewalks from new developments. This would result in the funding not being set aside for reinvestment in the ultimate rehabilitation/replacement of these new assets added to the City’s inventory, adding to the City’s infrastructure gap;
 - Reduced level of contribution to the Public Housing Major Upgrades Reserve Fund, which is used to fund lifecycle maintenance needs at London-Middlesex Community Housing (LMCH) properties. While the Reserve Fund is able to manage the deferral of this contribution on a one-time basis, LMCH’s infrastructure needs are growing and it is imperative that funding be set aside to address those needs.

- Other important community support and corporate services would also be affected, including:
 - Not allocating funding for additional homeless prevention allowances would result in increased pressures on the shelter system, in an already challenging period of time.
 - Over the last few years there has been a significant increase in number of incidents, the severity of the incidents and requests for services from Corporate Security across all of our facilities. Not proceeding with the assessment growth business case in 2020 has a service impact in terms of continued reduction in response time but also, and more concerning, continued increase in risk for both the public and staff because of our inability to respond effectively to the increasing number and severity of incidents.
 - A reduced ability to preserve current Facilities maintenance service levels for the administrative space footprint which has grown over the last few years and the Fire Services facilities portfolio which will be growing over the next few years. Contracted services can be used to bridge the gap on a temporary basis, however this will add an additional pressure on existing budgets that will need to be offset by the deferral of other costs.
 - Inability to service growth needs at the City's operations centres as quickly as planned;
 - With the increased information security threats and technology challenges that have accompanied the COVID-19 pandemic (including supporting remote work), it has never been more important to ensure the safety and stability of the Corporation's information systems.
 - Additional consulting fees (up to \$1M by the end of 2021) will be incurred to manage the property acquisition work that would otherwise be performed by the additional staff in Realty Services requested through the assessment growth case. This work is related to property acquisition to support high priority projects within the City, most notably the City's Rapid Transit initiative. This funding would need to be identified within existing budgets through the deferral of other planned spending.
 - Pressures on the City's Finance team continue to build based on volume of work required to support the various service areas throughout the City. This introduces the risk of not meeting payment deadlines, slower processing of claims for federal/provincial funding, degradation of response times to service area requests, reduced ability to implement much needed financial system enhancements including improved payment options across the corporation and potential staff overtime costs.

Further decisions concerning further 2020 assessment growth allocations may be made by September, in conjunction with the 2020 Mid-Year Operating Budget Monitoring Report, subject to greater clarity concerning federal or provincial funding support.

Further Measures if Necessary:

In the event that further support is not received from the federal and/or provincial governments and the financial impacts of the pandemic exceed the savings from the measures outlined above, Civic Administration would utilize the OBCR as a funding source for any year-end operating budget deficit, consistent with the approved Surplus/Deficit Policy. It should be noted that utilizing the OBCR could reduce flexibility to fund future initiatives, including potential recovery measures.

<p>MEASURES BEING TAKEN TO ADDRESS PRESSURES – BOARDS & COMMISSIONS AND OTHER FUNDED ORGANIZATIONS</p>

While the City has been actively taking steps, as outlined above, to mitigate the financial pressures caused by the pandemic, it is equally important that the City's ABC's and other funded organizations take measures to mitigate the pressures they are experiencing. To the extent that the ABC's and other funded organizations are able to minimize their deficits by controlling expenses and exploring other opportunities for funding support, this will reduce the need for the City to provide support to sustain these organizations' operations.

Civic Administration connected with the ABC's and other funded organizations to obtain an understanding of the initiatives that each organization is taking to mitigate their respective financial challenges. These responses are included below (alphabetical order):

Covent Garden Market:

“Covent Garden Market has worked diligently to control and reduce its operating expenses during the time of no rent or minimal rent collected. We have postponed capital approved projects such as a \$50,000 job for the repainting of our parking garage, scheduled this summer. We have reduced our operating hours 3 hours per day and have closed on Sundays. We have reduced our clearing costs and expenses along with parking attendant hours.

As you will see by the numbers, our revenue stream is and has been drastically reduced. Our cash flow has been depleted and we have been forced to dip into our reserves which are designed to cover major capital expenses. Our hope is to not need to do this for long, as this will seriously erode our ability to finance capital expenses in the future.”

Eldon House:

“Eldon House closed its doors to the public on March 15, 2020 due to the COVID-19 crisis, and since that time has operated with a significantly reduced staffing levels. External funding and wage subsidy opportunities have been sought to offset costs and revenue losses during the pandemic. The organization has minimized non-essential spending and has utilized cost saving measures with regard to the facility and maintenance expenses of the site, while ensuring that the security and upkeep of the museum and its grounds are well sustained throughout the closure.”

Housing Development Corporation (HDC):

“HDC is a small organizational unit and is continuing to off-set annual operating costs from available provincial administration funds and chargebacks to specific budgets.”

Kettle Creek Conservation Authority (KCCA):

“KCCA has taken several steps to limit the financial impact of COVID-19 on the Authority by not filling an open contract position, deferring some capital works and limiting purchasing to essential requirements related to security of property and health and safety. Full-time staff were re-deployed to tree planting and field operations to off-set revenue losses from revenue generating areas (campgrounds) that were not able to open due to government restrictions. Financial services continues to improve upon electronic processes reducing some costs in this program area. All program areas are adjusting expenses to expected revenue by limiting services to essential and minimum requirements. This will help to mitigate significant revenue loss in the campgrounds if camping is restricted for the entire season. Projected staffing levels of 12 FT has been reduced to 11 by attrition. Current seasonal staff levels have been reduced from the budgeted 22 positions to 11. KCCA has applied for the 10% Temporary Wage Subsidy but does not qualify for the Canada Emergency Wage Subsidy as it is deemed a public institution under the Income Tax Act.”

London Middlesex Community Housing (LMCH):

“The business continuity planning group created a comprehensive assessment of what materials, supplies and adaptations to offices were required – overall, these items were non-material in cost – and we continue to assess operational needs and current supply inventory in relation to COVID-19.

Part of minimizing financial impacts of COVID-19 is a focus on incoming tenants revenue and arrears management;

- LMCH is working on a business and workplace recovery plan that includes how to reopen and make sure that the Corporation is able to follow provincial and local health directives to ensure both staff and tenant safety and provide a platform for tenants to pay rent or any other outstanding balances by cash, debit, cheque and money order;
- Currently, LMCH is working with its landlord to install an exterior mail slot to receive payments by cheque or money order from tenants, even after office hours;
- Tenant Services has focused on reaching out to tenants in arrears to understand financial needs, accept payments, and more importantly transition those in arrears onto repayment

plans, not to mention transition as many tenants as possibly to online payments (adding LMCH as 'Payee' or pre-authorized debit).”

London Police Service:

“The London Police Service has taken a number of steps to mitigate the financial impacts of COVID-19. These include deferring plans to lease a secondary location, restricting overtime, delaying hiring for non-essential positions and cancellation of non-essential training. Further, a detailed examination of operating and capital budgets has identified savings (e.g. fuel) and items that can be abandoned for 2020 or deferred. As with other service areas, we are experiencing both savings (e.g. travel) and expenses (e.g. personal protective equipment) as a result of COVID-19.”

London Public Library:

“In an effort to mitigate the financial consequences of COVID-19, the London Public Library has further increased potential utility cost savings by turning down/off energy consumption equipment (such as thermostats, appliances, computers, etc.) and eliminated any marketing/print material for April to August. In addition, the London Public Library temporarily laid off all non-permanent staff as of April 5, 2020 (approximately 103 employees) and placed an additional 14 non-permanent and permanent employees on Declared Emergency Leave as of May 31, 2020.”

London Transit Commission (LTC):

“Since the declaration of the pandemic in mid-March, LTC has reduced service levels twice in response to lower than normal ridership. Currently the service being provided is approximately 70% of what would normally be in place. These reductions have been balanced with the need to ensure that essential workers that rely on public transit to get to/from work were able to do so throughout the pandemic period. In response to public health recommendations, the LTC, and all other transit systems in the country, moved to rear-door boarding in late March in effort to ensure physical distancing between bus operators and riders. This move resulted in the inability to collect fares, which makes up the majority of the operating budget shortfalls to date. The transit industry is working collectively and with the Province in effort to identify the steps required in order to return to front door boarding and fare collection as soon as possible, noting this step must be taken in a manner that continues to provide a safe environment for both bus operators and passengers.”

Lower Thames Valley Conservation Authority (LTVCA):

“In our Conservation Areas, we have not hired seasonal staff related to camping and area maintenance, cancelled contracted services where possible, cancelled capital improvements and reduced training costs. In Community Relations and Education, we have not filled an educator contract, reduced additional contracted services and reduced staff training. Additionally teaching staff have been reassigned to work in Conservation Areas and Monitoring to address not hiring staff in these areas.

In administration, we have cancelled contracted services and reduced staff training and expenses. Water Management Services is continuing a full program with reduced costs in travel, training and expenses. Conservation Services (Stewardship) continues to implement their full program with tree planting scheduled to be completed next week, and restoration projects moving forward. Cost reductions in this department are in training and travel.”

Middlesex-London Health Unit (MLHU):

“In response to the COVID-19 pandemic, the Middlesex-London Health Unit Health has initiated a comprehensive incident management (IMS) response and has redeployed a majority of staff to support COVID-19 related assignments. In addition, MLHU has continued to provide prioritized essential services to the community. These efforts have resulted in incremental spending pressures, rather than opportunities to cut costs. On March 25, 2020, the government announced an increased investment for the public health sector for COVID-19 extraordinary costs incurred in monitoring, containing, and detecting COVID-19 however further information on next steps, including eligible costs is pending.

MLHU has implemented a 7 day a week call centre, case management, and contact tracing throughout the London and Middlesex community, and supported the COVID-19 Assessment

Centres for which the City is a key partner. MLHU has supplemented the support for COVID-19 with volunteer medical students. Significant efforts to redeploy staff, hire additional staff and support increased shift hours have driven up our salary costs due primarily to overtime to accommodate longer working hours. Other notable financial pressures include technical upgrades (to support the development of the call centre, contact and case management, and remote work), costs for additional Personal Protective Equipment (PPE), and enhanced cleaning costs for our premises.

We estimate that salary and wages paid to support these activities between January 27 and May 31 amounted to \$5,600,000. Please note that this cost estimate does not include the cost of additional financial pressures outlined above.”

Middlesex-London Paramedic Service:

“As you are aware, the Province of Ontario declared a state of emergency on March 17, 2020 due to the COVID-19 pandemic. With this in mind, Middlesex-London Paramedic Service has been focused on managing the delivery of land ambulance service to the County of Middlesex and City of London during this health emergency.

Middlesex-London Paramedic Service remains committed to operational efficiency and diligently works to minimize the financial impacts of COVID-19. This includes an ongoing review of paramedic staffing levels, medical supplies and equipment usage, paramedic training and vehicle operations. Additionally, Middlesex-London Paramedic Service closely monitors call volumes and off-load delays in order to best utilize paramedic resources.

On April 17, 2020 the Ministry of Health – Emergency Health Program Management and Delivery Branch issued a Request for Information seeking input from paramedic services on any extraordinary costs incurred above and beyond regular operating costs, related to COVID-19. Middlesex-London Paramedic Service submitted a detailed summary of COVID-19 related operating costs in attempts to secure additional funding from the Province to assist with COVID-19 operational costs. The province announced an additional \$77 million in COVID funding for 2020 for paramedic services. It is unknown how much funding Middlesex-London Paramedic Service will receive.

As the COVID-19 pandemic continues to evolve, Middlesex-London Paramedic Service is committed to deliver safe, clinically sound and compassionate care to the community. MLPS also provided a COVID-19 Update to County Council on May 12, 2020.

Here is the link to the report:

https://egenda.middlesex.ca/files/agendas/260/4342_8_b_CC_May_12_COVID_19_Update.pdf

Museum London:

“The Museum has taken a number of measures to mitigate the financial impact of COVID-19 and being closed to the public. We have realized savings by cancelling our custodial and security services however, in order to meet the federal environmental guidelines for museums, further utility savings cannot be realized. Part-time staff are temporarily laid off effective mid-March. Expenses associated with events, exhibitions, public and education programs have also either been decreased or been eliminated. We have attempted a shift to online sales at the Museum Shop with limited success.

As a registered charity, the Museum has applied for, and received, the Canada Emergency Wage Subsidy (CEWS), allowing the Museum to retain its permanent staff for the time being. Should it be required in the future, the Museum has also been approved for the supplemental unemployment benefit (SUB) plan. The Canada Emergency Business Account (CEBA) loan has been received to assist with cash flow and is not repayable until December 31, 2022. A portion of the loan is forgivable if certain conditions are met.

It should be noted that our projections assume we will be closed until the end of August. If we re-open before then the surplus we are projecting will decrease as many of the expenses we are not incurring right now will return, but many revenues such as facility rentals and shop revenue will not or will be greatly reduced. And despite extensive research regarding eligibility, and receipt of CEWS funds, there is also the possibility that the federal government could decide in the future that the Museum does not qualify for CEWS.”

RBC Place:

“RBC Place London has been closed since March 15, 2020 with all event revenue cancelled through to and including August 2020. Parking revenue also evaporated with little to no demand and cancelled and “on hold” monthly parking requests. Total revenue for March-August 2020 is forecasted down (\$2,774,374) or 84% from budget with offsetting cost saving measures of \$1,655,770. Events are now being cancelled or postponed for the period of September to December 2020. RBC Place London is currently forecasting an annual operational loss of (\$1.3 million) assuming some fall events take place to a devastating loss of (\$1.6 million) assuming all remaining 2020 events are cancelled or postponed.

RBC Place London administration, with Board approval, has responded with the following proactive measures:

Revenue Generation: \$5 special daily parking rate as of June 1st upon re-opening; producing 100 single serving lunches daily for the Food Bank at \$5 per lunch; ongoing conversations with clients for potential “space only” rentals for future needs as permitted by government regulations and ongoing conversations with event clients regarding the hosting of hybrid events once opening is permitted.

Government Assistance: RBC Place London, as a separate organization established under the City of London Act, has not qualified to date for Federal subsidy programs. Individual laid-off associates have qualified for Canada Emergency Response Benefit.

Operational and capital reductions: as of March 15th, 75% of the team was laid off, with a total of 87% of the team on lay-off effective June 8, 2020. 12 remaining salaried associates are covering with two facility team members. Salaried associates accepted a 15% reduction in wage effective June 8th; facility associates on working-sharing program; variable costs eliminated; training, travel, uncommitted advertising and promotional activity on hold; team celebratory events cancelled; unnecessary immediate repairs deferred; equipment turned off, settings adjusted to reduce energy usage; service contracts placed on hold; capital projects and purchases not committed deferred.

Cash Management: overdraft available; managing payables and receivables; 2020 Council approved annual budget of \$648,000 directed to operational costs and not being transferred to capital reserve; seeking City of London loan deferral approval of \$222,204 due in August for 1st Floor Renovation loan (see further details below); operational surplus established by Board after SARS (\$500,000) utilized; special projects reserve also utilized to cover operational costs. May require cash advance from the City late in 2020. Capital needs in 2021 will increase due to redirection of funds in 2020.”

Tourism London:

“In an effort to mitigate the financial consequences of COVID-19, Tourism London placed 6 permanent and non-permanent employees on Declared Emergency Leave as of May 11, 2020, and will not be hiring 3 seasonal employees in 2020. In addition, Tourism London will realize savings from not hiring 2 permanent positions.”

Upper Thames River Conservation Authority (UTRCA):

“We evaluated the impact on operations from early April and by mid-month had determined that our parks failing to open on schedule would lead to a significant loss of revenue to the Authority. At the same time, in-person environmental education programs ceased and tree-planting programs were in jeopardy due to the inability for root stock to be provided by nurseries and the social distancing measures staff would need to take. Early estimates were for revenue losses for 2020 were up to \$3.2M of our \$16M operating budget.

From March and into April, quite quickly, increased expenses were noted for phone and internet services but cost-cutting measures to line items were made and continue, namely:

- Property and office maintenance – landscaping and cleaning
- Personnel expenses – training and professional development, uniforms, staff travel reimbursement are now down 28%
- Utilities and fleet fuel costs were revised downwards as hydro rates changed and gasoline prices fell, and this combined with communications and property reductions are now more than 20% lower

- Services are cut over 10%; legal expenses are down

All park capital spending was halted and replacement of most computers for the remainder of the year was halted. New appliances are equally deferred. We sought savings across the organization, not simply in directly affected operations.

Evaluation of staffing needs was always under discussion. We had already deemed vacant positions to remain unfilled and seasonal staff was not hired. We felt certain to benefit from the Canada Emergency Wage Subsidy (CEWS) and verbal approval of eligibility allowed us to submit a claim on the first day of applications. That first claim was paid even though we continued to plan for reduced hours across the organization. The primary difficulties in that effort are that many of our services had not seen a reduction in activity levels, in particular planning and regulations, many of our services are essential and regulated, and existing planned revenues are dependent on capacity to deliver. The second CEWS claim was filed the day before we learned that we were deemed not eligible for that subsidy. This happened at the same time the province announced parks could plan for opening. It seemed probable then that reductions in staffing would be required just as we needed to begin to open the parks.

We made a second complete round of estimates with this new knowledge. The result was cutting of even more line item expenses but we saw some contract revenues up. Activity continued where we originally felt it might not. The result of that review is estimated mitigation of all but \$200,000 of anticipated operating losses in addition to savings in most capital spending. 8 staff positions in addition to most seasonal staff are affected through these new efforts. As well, if staff has little work in their regular position, they have been redeployed in other units. We have modified our vacation policy requiring staff to take unused vacation in the current year to reduce additional costs in 2020.”

RBC PLACE – REQUEST FOR LOAN PAYMENT DEFERRAL

On February 26, 2015, Council approved a \$1,965,000 loan to London Convention Centre (now RBC Place) for the reconfiguration of the RBC Place main level. In lieu of including this project as part of the City’s debenture issuance, the funds were borrowed from the City’s Efficiency, Effectiveness & Economy Reserve (EEE) with RBC Place paying back the EEE over 10 years. The interest rate charged is 2.30% over the 10-year term, consistent with the capital markets debt issuance rate in March 2016. The first annual payment was made in August 2017, with regular annual payments having occurred in 2018 and 2019.

In light of the closure of RBC Place and the associated loss of revenue due to the pandemic, RBC Place has indicated that they will not be able to fulfill their obligation for the August 2020 loan payment. RBC Place is requesting deferral of this loan payment for one year, such that the final loan payment will be due in August 2027 instead of August 2026. Please refer to Appendix C for the formal request from RBC Place.

Civic Administration is supportive of RBC Place’s request noting the extenuating circumstances currently being experienced. The EEE is able to accommodate a one-year deferral of this loan arrangement to provide the requested relief to RBC Place.

WATER & WASTEWATER – WAIVER OF LATE PAYMENT CHARGES EXTENSION

At its meeting on March 24, Council resolved:

“[...] b) the Civic Administration BE DIRECTED to take all necessary actions to waive interest and penalties for unpaid water and wastewater billings, for a period of 60 days; [...]”

Civic Administration worked with London Hydro, who administers water and wastewater billings for the City, to implement this direction. On June 3rd, Civic Administration was advised that London Hydro has elected to extend this waiver of late payment charges through the end of July 2020. Given the linkage of water & wastewater billings with electricity charges, it would be extremely challenging to apply different interest & penalties for water & wastewater charges than those applied to electricity charges. Taking into consideration that many in the community

continue to struggle with loss of employment and corresponding financial challenges, Civic Administration believes this action is prudent and recommends that Council endorse this direction.

FEE AMENDMENTS TO SUPPORT ECONOMIC RECOVERY

At the June 16th meeting of Municipal Council, an emergent motion was considered to assist London businesses with prompt reviews and approvals for business reopening items such as temporary restaurant patios, curbside pick-ups, vending stands and other applicable business practices. Pending Council approval of steps to support reopening through delegated authority and amended regulations and processing procedures, Civic Administration is proposing that various user fees typically charged be waived for the remainder of 2020.

The affected fees and estimated associated loss of revenue associated with these fee waivers are:

- Sidewalk Café License Agreement fees – estimated loss of revenues in the range of \$100,000-\$150,000;
- Temporary Extension of Liquor License Approval Letter fees – estimated loss of revenue in the range of \$1,000-\$2,000; and
- Temporary Noise Permit fees – estimated loss of revenue in the range of \$2,000-\$3,000

It should be noted that there is also an anticipated loss of parking revenues, however the magnitude will depend on the number and location of patio extensions and corresponding affected parking spots.

Additional funding was approved through the Core Area Action Plan business case for the “elimination of encroachment fees for patios, signage and awnings in the Core Area” (\$30,000) and “experimentation with temporary free municipal parking” (\$150,000), which may offset these lost revenues.

Civic Administration is requesting authority to take the actions necessary to waive the applicable fees as noted above.

OTHER FACTORS WITH POSSIBLE FUTURE FINANCIAL IMPLICATIONS

A number of other factors – outlined below – may affect the Corporation financially in 2020 and future years, noting that these items have not been included in the financial projections contained within this report.

Provincial Child Care Funding for Licensed Child Care Sector:

Considerable uncertainty is currently being experienced in regards to additional costs and funding sustainability to support the licensed child care sector as a result of the pandemic and associated closures of the sector pursuant to the Declaration of Emergency.

Potential pressures include:

- New costs to provide free emergency child care to support essential frontline healthcare workers and first responders with child care needs;
- Change in Provincial direction regarding the ability to utilize Provincial child care funding to “top up” child care operators for costs in excess of available federal support programs to ensure they are able to quickly operationalize their workforce once restrictions are lifted; and,
- Anticipated new costs associated with the re-opening of licensed child care centres across London and Middlesex County based on provincial guidelines.

Civic Administration is working with the Province and licensed child care operators to collect the necessary data and information and will report back to Council once the extent of the impact is fully understood.

Development Related Revenues:

As of May 31st, Development Charges (DC) revenues for 2020 are tracking in the range of 25% below forecasts. Similarly, building permit revenues and development application fees have been interrupted due to the pandemic and associated shift to minimal operations. However, staff are of the opinion that at this point it is premature to conclude how recent events related to COVID-19 may influence residential and non-residential building activity over the remainder of 2020 and beyond.

No economic analyses related to COVID-19 have been published for the London area (e.g., Conference Board of Canada, Canada Mortgage and Housing Corporation, CBRE) to assist with inferring potential impacts on construction. Industry partners and those participating in the Mayor's Economic Recovery Task Force have communicated that their operations are active, but that it remains too soon to determine what the effects of COVID-19 will be for the development sector for the coming months. It should be noted that Development Services has experienced strong activity with the submission of pre-application consultation requests and applications for re-zonings, site plans and new subdivisions since the transition from minimal operations.

Staff are continuing to closely monitor DC revenues, with a particular focus on residential and commercial permit activity. Historically, over half of residential units and almost two-thirds of non-residential space commences construction in the second half of the year. Should negative changes in market conditions emerge through the latter part of the year that impact the long-term financial health of the DC reserve funds, Council has the ability in early 2021 to defer DC projects to mitigate significant revenue shortages through the annual Growth Management Implementation Strategy (GMIS) Update.

Property Tax Arrears & Defaults:

There continues to be significant uncertainty with respect to the extent of future property tax arrears and ultimate write-offs as a result of the pandemic. Given that many COVID-19 supports offered by the federal and provincial governments continue to remain in place, it may be some time before greater clarity is obtained with respect to the extent of property tax write-offs the City will experience.

On March 24, Council approved the waiver of interest and penalties on unpaid interim 2020 property tax installments due on March 31st, for a period of 60 days. Approximately 53% of this installment was collected prior to the March 31st deadline, with the remaining approximately 47% taking advantage of the 60 day waiver period. This waiver expired as of the end of May, and preliminary analysis indicates that approximately two-thirds of the remaining outstanding amount was collected, meaning that approximately 15% of the total March 31st installment remains outstanding as of the writing of this report.

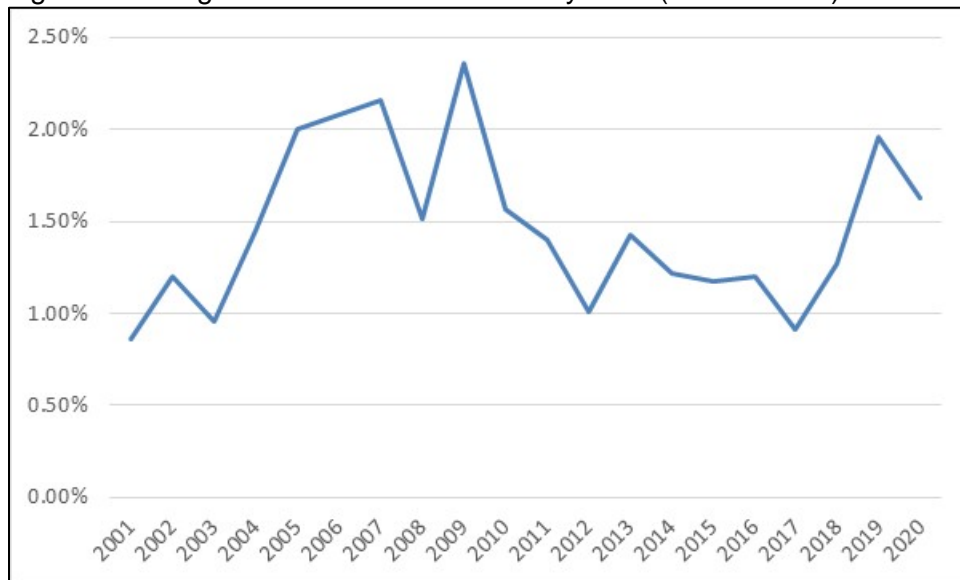
A review of regularly scheduled April and May pre-authorized property tax payments indicates that approximately 90% of the planned payments were collected. This suggests that approximately 10% elected to cancel their enrolment in the PAP program.

As the Council approved waiver of interest and penalties for the March 31st installment has now expired, Civic Administration will continue to monitor inflows of property tax payments over the coming months. The remaining 2020 installments are due August 31st, October 31st and December 15th, although residents are able and certainly encouraged to pay in advance of these deadlines. The upcoming August 31st installment may provide further data to facilitate further analysis of potential long-term trends with respect to property tax arrears.

Future Assessment Growth Revenues:

Related to the comments concerning development-related revenues above, future assessment growth revenues may be impacted depending on the depth and duration of the economic recession resulting from the pandemic. At this time, it is not possible to quantify this impact. It should be noted that any assessment growth impacts tend to be reflected at least 2-3 years after the economic event. It should also be acknowledged that many factors contribute to assessment growth, including adjustments from assessment appeals and property classification changes. However, for illustrative purposes, as shown in Figure 1 below, it is likely that the impacts of the Great Recession of 2008-2009 contributed to the lower level of assessment growth revenues in 2010-2012.

Figure 1 – Weighted Assessment Growth by Year (2001 – 2020)



PROPOSED 2021 BUDGET UPDATE APPROACH

Preliminary budget development activities for the 2021 Annual Budget Update have recently commenced. These activities will continue through the summer months and into the fall. Civic Administration is currently recommending to table the 2021 Budget Update in November, with ultimate Council approval in January.

As part of the guidance issued to service areas to support the 2021 Annual Budget Update process, the following principles have been established:

Operating Budget:

All civic service areas and agencies, boards & commissions (ABC's) will be required to remain within their 2021 operating budget allocation approved during the 2020-2023 Multi-Year Budget. Only budget amendments resulting in net budget reductions will be included in the 2021 Annual Budget Update for Council's consideration. If a civic service area or ABC believes they require an increase to their 2021 operating budget, advanced approval from the City Treasurer will be required prior to proceeding with the development of the budget amendment, which must be supported by strong rationale and be unavoidable. Increases to 2022 or 2023 budgets will not be considered in the 2021 Annual Budget Update

Capital Budget:

Increases to the 10 year capital plan with a tax levy impact will not be permitted except with advanced approval from the City Treasurer, which must be supported by strong rationale and be unavoidable. Only the following capital budget amendments will be permitted to go forward for Council's consideration:

- Budget amendments resulting in reductions to the 10 year capital plan;
- Budget amendments resulting in no net change to the 10 year capital plan (i.e. adjustments to project timing only), subject to the ability of the associated funding sources to accommodate the change.

Budget Reductions:

In contemplating possible reductions to the 2021 Budget, Council should take into consideration a number of the Corporation's key financial principles, including:

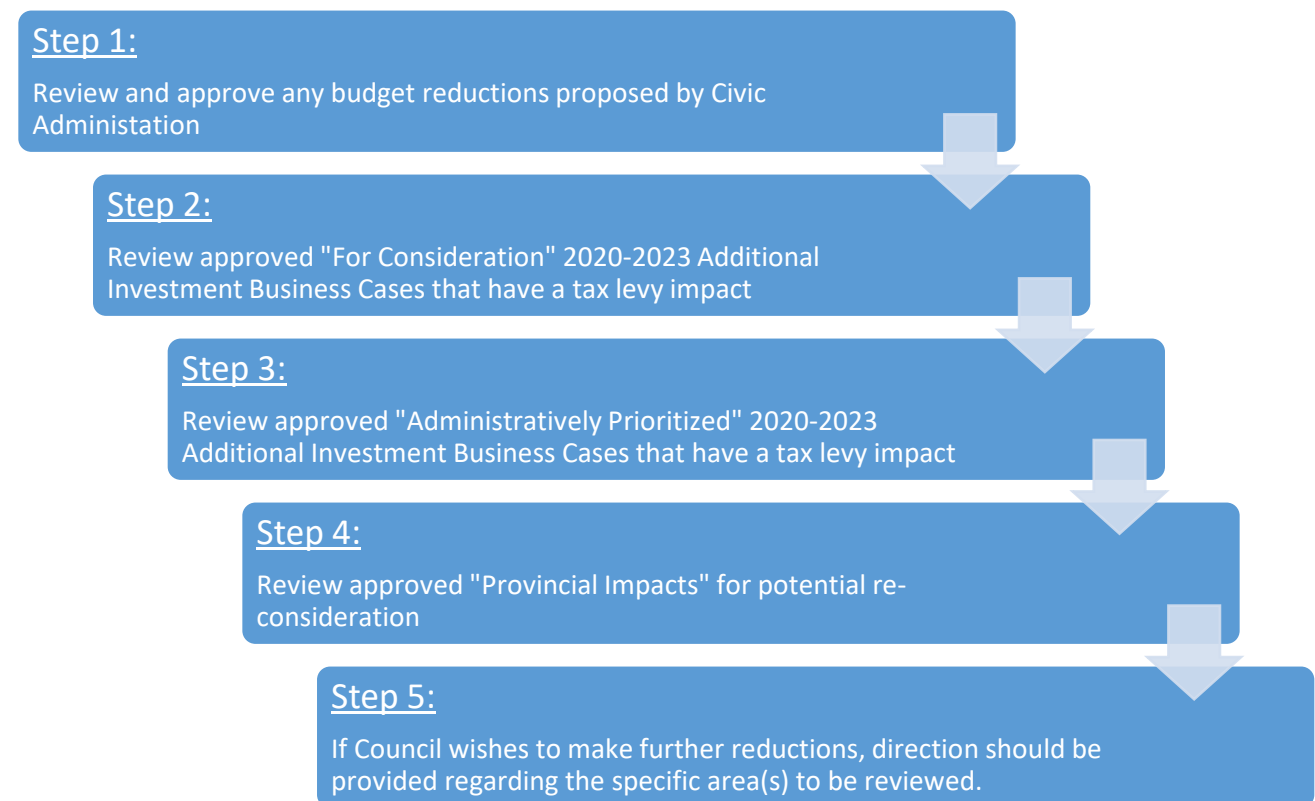
- One-time funding is appropriate to fund one-time costs, but should not be used to implement permanent programs with ongoing costs;
- Alternate sources of revenue should be considered to cover only those expenses that are linked to them, to ensure that this funding is not required to support other expenses in the event that the funding is reduced or eliminated;
- Council should avoid taking on services/programs where there is pressure to "fill in" for

- services/programs that are generally the responsibility of other levels of government;
- When considering new initiatives, consider the total cost of the initiative (both one-time and ongoing operating costs), cash flow requirements and benefits to the community;
- Avoid taking on more/new services without considering long-term exit strategies;
- The City of London should determine its own capital priorities. New infrastructure programs introduced by the federal and provincial governments should be assessed relative to the capital needs and priorities of the City and ability to fund these initiatives;
- Ensure that reserves and reserve funds are kept at an adequate level to ensure the Corporation maintains sufficient liquidity; and
- Debt is appropriate for certain large-scale growth and service improvement capital projects, but should generally be avoided for lifecycle renewal projects.

In assessing potential budget reductions, Council should also be mindful of some of the COVID-19 response and recovery principles noted earlier in this report:

- The need to continue to deliver essential and vital services, and adjust those services in response to the reopening of Ontario;
- Balance service levels with fiscal pressures;
- Prioritize service delivery supporting economic recovery and for those most vulnerable;
- Take temporary and one-time actions to address pressures to minimize long term impacts; and,
- Minimize impact on strategic priorities.

With the above principles in mind, the following graphic illustrates the step-by-step approach Civic Administration recommends in the event that Council wishes to reduce the 2021 Budget. This approach essentially represents the inverse of the approach utilized by Council to review the 2020-2023 Multi-Year Budget:



NEXT STEPS

Civic Administration will continue to monitor the financial implications of COVID-19 over the coming weeks in order to refine our financial projections. The next update will be provided in the 2020 Mid-Year Operating Budget Monitoring in September and will include full-year projections of the Corporation's anticipated year-end position including the measures outlined in this report. It is hoped that additional information will also be available by that time with respect to any federal and/or provincial support for municipalities, which would enable Civic Administration to finalize the remaining 2020 assessment growth allocations.

RECOMMENDED BY:	CONCURRED BY:
ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	LYNNE LIVINGSTONE CITY MANAGER

Appendix A – Category of Financial Impacts

The following Tables A to D outline the projected financial impacts as of June 12th on the property tax supported (civic service areas) budget, water and wastewater & treatment budgets, boards & commissions' budgets, as well as other projected financial impacts.

Table A – Estimated Property Tax Supported Civic Service Areas Budget Impacts:

Category	Impact through June (\$M)	Impact through August (\$M)
Lost Revenues	\$11.5	\$18.1
Additional Costs	\$9.6	\$11.0
Less: Cost Savings & Additional Revenues	(\$17.9)	(\$26.2)
TOTAL:	\$3.2	\$2.9

Table B – Estimated Boards & Commissions Budget Impacts:

Category	Impact through June (\$M)	Impact through August (\$M)
Lost Revenues	\$14.9	\$21.2
Additional Costs	\$0.2	\$0.3
Less: Cost Savings & Additional Revenues	(\$6.0)	(\$8.3)
TOTAL:	\$9.2	\$13.2

Table C – Other Projected Financial Impacts:

Category	Impact through June (\$M)	Impact through August (\$M)
Lost Revenues – MAT & Reserve Funds Investment Income	\$1.9	\$3.1
TOTAL:	\$1.9	\$3.1

Table D – Estimated Water and Wastewater & Treatment Budget Impacts:

Category	Impact through June (\$M)	Impact through August (\$M)
Lost Revenues	\$3.7	\$3.8
Additional Costs	\$0.1	\$0.1
Less: Cost Savings & Additional Revenues	(\$1.2)	(\$1.3)
TOTAL:	\$2.6	\$2.6

Appendix B – Estimated Financial Impact of COVID-19

Area	Description	Net Estimated Impact ¹ (\$M)	
		Through June	Through August
London Transit Commission	<ul style="list-style-type: none"> Lost revenue due to rear door boarding to provide for social distancing. Increased costs associated with additional bus cleaning. Net of fuel savings due to lower fuel prices and service adjustments. 	\$7.2	\$10.9
Water & Wastewater & Treatment	<ul style="list-style-type: none"> Lost revenues from reduced water consumption due to shut down of non-essential services, noting that water consumption has recently rebounded to near normal levels. Lost revenues due to deferral of 3.5% additional Wastewater rate increase approved during 2020-2023 Multi-Year Budget deliberations. Net of cost savings due to reduced purchase of water costs, reduced hiring of casual staff and reduced non-essential maintenance work. 	\$2.6	\$2.6
Investment Income	<ul style="list-style-type: none"> Reduced investment income due to the reduction of interest rates by 150 basis points (1.5%) by the Bank of Canada. 	\$1.8	\$3.1
Ontario Lottery & Gaming Revenues	<ul style="list-style-type: none"> Lost revenues due to the closure of gaming at the Western Fair. 	\$1.7	\$2.5
Parking	<ul style="list-style-type: none"> Reduced net parking revenues and parking fine revenues. 	\$1.5	\$2.5
Municipal Accommodation Tax (MAT) Revenues	<ul style="list-style-type: none"> Lost MAT revenue due to significantly reduced number of hotel & motel stays. Includes both City's share (50%) and Tourism London's share (50%). 	\$1.1	\$1.7
RBC Place London	<ul style="list-style-type: none"> Loss of event revenues, partially offset by cost savings associated with the shutdown of operations. 	\$1.1	\$1.1
Provincial Offences Act (POA) Revenues	<ul style="list-style-type: none"> Loss of revenues due to the adjournment of court proceedings and reduced number of fines issued. 	\$0.8	\$1.1
Fire Services	<ul style="list-style-type: none"> Additional personnel costs to maintain required staffing levels, additional medical and other supplies, additional personal protective equipment (PPE), etc. Reduced revenues for fire inspections and re-inspections and out-of-town vehicle accidents. 	\$0.8	\$0.9
Garbage, Recycling & Composting	<ul style="list-style-type: none"> Lost revenue due to reduction in tipping fee revenues due to reduced commercial activity, reduced residential revenues at W12A & Council-approved waiver of \$1.50 fee at EnviroDepots. Additional contracted service costs for recycling and EnviroDepots as well as increased overtime costs associated with garbage collection and yard waste on peak days. 	\$0.6	\$1.2
Budweiser Gardens	<ul style="list-style-type: none"> Projected loss of revenue due to event cancellations. 	\$0.6	\$0.8

¹ Estimated financial impact range is based on a return to "normal" operations between June and August and includes additional costs and lost revenues, net of estimated cost savings.

Area	Description	Net Estimated Impact ¹ (\$M)	
		Through June	Through August
Covent Garden Market	<ul style="list-style-type: none"> Lost rent and parking revenues. Additional costs related to security, cleaning and health & safety upgrades. 	\$0.6	\$0.7
Waiver of Interest & Penalties on Property Taxes	<ul style="list-style-type: none"> Lost revenue due to the waiver of interest & penalties on the March 31st interim property tax instalment for 60 days. 	\$0.5	\$0.5
Centennial Hall	<ul style="list-style-type: none"> Net loss of revenue due to the cancellation of events. 	\$0.3	\$0.3
Long-Term Care (Dearness Home)	<ul style="list-style-type: none"> Additional costs related to housekeeping, security to prevent unauthorized access, additional personal protective equipment (PPE), etc. Loss of revenue due to cancellation of the Adult Day Program. Net of additional provincial funding received to assist with costs of managing the pandemic. 	\$0.2	\$0.4
Conservation Authorities	<ul style="list-style-type: none"> London's estimated share of financial impacts in municipal levy funded programs and services, it being noted that the conservation authorities continue to investigate measures to mitigate these impacts. Impacts primarily relate to lost revenues due to cancelled education programming and other grant programs. 	\$0.2	\$0.2
Facilities	<ul style="list-style-type: none"> Cost savings due to reduced electricity and natural gas usage due to facility closures and reduced maintenance work due to less usage of facilities. Net of additional costs associated with operationalizing the COVID-19 assessment centres and field hospital. 	\$0.2	(\$0.1)
London Police Service	<ul style="list-style-type: none"> Reduced revenues due to lower records screening requests, fewer prisoner escorts due to courts operating by video conferencing, etc. Net of cost savings related to lower fuel costs and reduced non-essential training costs. 	\$0.1	\$0.6
Information Technology Services	<ul style="list-style-type: none"> Additional costs to support remote work to ensure the continuation of essential services, including costs related to working from home for affected employees. 	\$0.1	\$0.3
London & Middlesex Community Housing (LMCH)	<ul style="list-style-type: none"> Additional costs for materials & supplies (sanitizers, soap, masks, etc.) and cleaning costs. Potential loss of rental revenue for tenants who experience loss of employment income not fully mitigated by federal relief programs (e.g. Employment Insurance or Canada Emergency Response Benefit). 	\$0.1	\$0.2
Neighbourhood, Children & Fire Services – Community Centres, Recreation and Leisure Programming, Neighbourhood Initiatives	<ul style="list-style-type: none"> Net cost savings due to reduction in casual staffing requirements and programming costs, net of lost user fee revenues associated with these facilities and programming. 	\$0	(\$1.0)

Area	Description	Net Estimated Impact ¹ (\$M)	
		Through June	Through August
Homeless Prevention	<ul style="list-style-type: none"> Additional costs to provide temporary housing arrangements for vulnerable individuals including isolation spaces, self-monitoring spaces, etc. Additional costs to support temporary housing arrangements including staffing, security, supplies, personal protective equipment (PPE), comfort stations, etc. Net of additional federal (\$2.4 million) and provincial (\$3.5 million) funding support received for 2020-21. NOTE: Additional federal and provincial funding provided currently anticipated to be sufficient to cover additional costs incurred. 	\$0	\$0
Middlesex-London Health Unit (MLHU)	<ul style="list-style-type: none"> MLHU has advised that they have dedicated significant resources to responding to pandemic. However, at this time, it is unknown the extent to which these costs will exceed MLHU's budget. On March 25th, the Provincial government announced that it was "Increasing public health funding by \$160 million to support COVID-19 monitoring, surveillance, and laboratory and home testing, while also investing in virtual care and Telehealth Ontario." It is unclear how much of this funding, if any, will be allocated to MLHU. Civic Administration will continue to work with MLHU to monitor the impact on MLHU's budget as the pandemic progresses. 	TBD	TBD
All Other Areas Not Listed	<ul style="list-style-type: none"> Projected cost savings, net of additional costs and lost revenues. 	(\$0.1)	(\$0.2)
Museum London	<ul style="list-style-type: none"> Cost savings resulting from shutdown of operations, net of lost revenues. 	(\$0.1)	(\$0.2)
By-law Enforcement and Animal Services	<ul style="list-style-type: none"> Cost savings due to delayed hiring of new staff and delayed start of some new initiatives (e.g. Core Area Action Plan). Net of additional overtime costs to enforce social distancing requirements. Net of anticipated lost revenues from pet licensing and adoptions. 	(\$0.2)	(\$0.3)
Fleet Services	<ul style="list-style-type: none"> Cost savings due to reduced fuel consumption and repair & maintenance requirements due to lower usage of vehicles and equipment. 	(\$0.4)	(\$0.5)
Parks & Recreation – Aquatics, Arenas, Golf, Special Events, Sports Services, Storybook Gardens, Parks & Horticulture	<ul style="list-style-type: none"> Cost savings due to reduced resource requirements, lower utility usage and reduced operating materials and supplies needs. Lost user fee revenue due to closure of recreation facilities and cancellation of sports and recreation events and programming. 	(\$0.4)	(\$1.1)
Subsidized Transit Program	<ul style="list-style-type: none"> Cost savings as the London Transit Commission is not currently tracking ridership for billing purposes. 	(\$0.5)	(\$0.8)
Other Corporate Services	<ul style="list-style-type: none"> Cost savings due to the implementation of the temporary hiring freeze and Declared Emergency 	(\$0.5)	(\$1.2)

Area	Description	Net Estimated Impact ¹ (\$M)	
		Through June	Through August
	<ul style="list-style-type: none"> Leave Net of potential loss of various user fee revenues (e.g. licenses, miscellaneous taxation revenues, etc.) Net of additional costs for personal protective equipment (PPE) and to facilitate remote work. 		
Planning, Development Services and Building Approvals	<ul style="list-style-type: none"> Anticipated cost savings throughout various operating budget lines. 	(\$0.7)	(\$1.2)
Ontario Works	<ul style="list-style-type: none"> Anticipated cost savings throughout various operating budget lines. 	(\$0.8)	(\$1.4)
Transportation Services	<ul style="list-style-type: none"> Cost savings due to reduced hiring of temporary staff and reduced expenditures on operating supplies and purchased services. 	(\$1.5)	(\$1.8)
	TOTAL:	\$16.9	\$21.8

Appendix C – Request from RBC Place London



MEMO

Date: May 29, 2020

To: Strategic Policy and Priorities Committee, City of London

From: Lori Da Silva, CEO, RBC Place London

Subject: RBC Place London Loan Deferral Request

Background:

On February 25, 2015, Council approved capital project GG1770 Reconfiguration of the main level of London Convention Centre now called RBC Place London. The amount approved was \$1,965,000 and the source of funding approved by Council was debt. The resolution indicated that the future debt servicing costs may be offset by increased revenues generated by the reconfiguration project. In lieu of including this project as part of the City's debenture issue, Administration advanced the funds for this project to RBC Place London. The funds were borrowed from the City's Efficiency, Effective & Economy Reserve (EEE). The interest rate the City charges is 2.30% over a 10-year term. The first payment was made August 2017 of \$222,204.37.

Due to the financial impact of closing RBC Place London as of March 15, 2020 per government requirements, RBC Place London is not able to fulfill its obligation for the August 2020 loan payment.

Recommendation:

RBC Place London respectfully requests a loan payment deferral of a minimum of one-year to August 2021 under the assumption that RBC Place London will be able to re-open at some point in time in 2020. RBC Place London requests that the deferred payment be added to the end of the current schedule with a final payment August 2027.