



London
CANADA

COVID-19: Financial Impacts Update



June 23, 2020

Financial Impacts Update – Overview

Updated Financial Impacts of COVID-19

- Measures Implemented Since Last Update
- Updated Estimated Financial Impacts To End of August
 - Significant uncertainty and anticipated incremental financial impact for the last 4 months of the year
 - Will continue to monitor and update our financial projections for COVID-19 over the coming weeks – projection through December to be included in Mid-Year Operating Budget Monitoring Report
 - Strategies to mitigate the budgetary impact will be finalized and recommended at that time when the full year impact is better known
- *Municipal Act 2001*:
 - Deficits must be funded at year end or recovered in the next budget
 - Significant deficits could impact future service levels
- Cash Flow Impacts Update



Projected Financial Impacts of COVID-19 – AS OF APRIL 28

Category	Impact through June (\$M)	Impact through August (\$M)	Examples
Lost Revenues	\$30.2	\$47.3	<ul style="list-style-type: none"> - Transit fare revenue due to rear door boarding - Water & wastewater revenues due to reduced water consumption - Investment income due to Bank of Canada interest rate cuts (1.5%) - OLG revenues due to closure of gaming at Western Fair - Parking revenues and parking fines - Municipal Accommodation Tax revenues due to reduced hotel stays - RBC Place event revenues due to cancellation of events
Additional Costs	\$9.1	\$10.1	<ul style="list-style-type: none"> - Additional costs to provide isolation, monitoring & physical distancing spaces for vulnerable individuals & families - Personal protective equipment (PPE), additional materials & supplies and cleaning costs – LTC, LMCH, Dearness Home, etc. - Technology to support remote work
Less: Cost Savings & Additional Revenues	(\$16.3)	(\$24.6)	<ul style="list-style-type: none"> - Reduced/delayed casual and part-time staffing requirements - Fleet services – reduced fuel consumption & repairs/maintenance - Reduced electricity and natural gas usage in City facilities - Additional federal/provincial funding to support vulnerable populations
Net Estimated Impact	\$23.0	\$32.8	



Projected Financial Impacts of COVID-19 - CURRENT

Category	Impact through June (\$M)	Impact through August (\$M)	Examples
Lost Revenues	\$32.1	\$46.1	<ul style="list-style-type: none"> - Transit fare revenue due to rear door boarding - Water & wastewater revenues due to reduced water consumption - Investment income due to Bank of Canada interest rate cuts (1.5%) - OLG revenues due to closure of gaming at Western Fair - Parking revenues and parking fines - Municipal Accommodation Tax revenues due to reduced hotel stays - RBC Place event revenues due to cancellation of events
Additional Costs	\$9.8	\$11.3	<ul style="list-style-type: none"> - Additional costs to provide isolation, monitoring & physical distancing spaces for vulnerable individuals & families - Personal protective equipment (PPE), additional materials & supplies and cleaning costs – LTC, LMCH, Dearness Home, etc. - Technology to support remote work
Less: Cost Savings & Additional Revenues	(\$25.0)	(\$34.8)	<ul style="list-style-type: none"> - Reduced casual and part-time staffing requirements - Implementation of Declared Emergency Leave (DEL) - Fleet services – reduced fuel consumption & repairs/maintenance - Reduced electricity and natural gas usage in City facilities - Additional federal/provincial funding to support vulnerable populations
Net Estimated Impact	\$16.9	\$22.6	

Projected Financial Impacts of COVID-19 - CURRENT

Category	Impact through June (\$M)	Impact through August (\$M)
Civic Services - Property Tax Supported	\$3.2	\$3.7
Boards & Commissions	\$9.2	\$13.2
Other Financial Impacts (MAT revenues, RF investment income)	\$1.9	\$3.1
Water/Wastewater	\$2.6	\$2.6
Net Estimated Impact	\$16.9	\$22.6

Total = \$14.3M - \$20.0M

Budget Contingency Reserves

Financial Measures to Address Pressures - Approved by Council to Date

	Impact through August (\$M)
Net Estimated Impact – Updated Projections (excluding Water & Wastewater)	\$20.0M
Additional Financial Impacts of Immediate Relief Measures Approved by Council – April 28 th SPPC Report	\$0.4M
Preliminary Source of Financing Adjustments – 2019 Year-end Capital Budget Monitoring Report	(\$0.4M)
2019 Operating Budget Surplus – Contributed to Operating Budget Contingency Reserve to offset COVID-19 Impacts	(\$3.2M)
NET REMAINING ESTIMATED IMPACT	\$16.8M

Proposed Adjustments to City Operations and Service Levels

- Service level reductions \$ impact are already accounted for as part of financial estimates
- If service levels are increased the financial impact will increase accordingly

Further Measures to Address Pressures

	Impact through August (\$M)
Review of 2020 Capital Projects <ul style="list-style-type: none"> 2020 Capital Project Deferrals Identified to Date 	\$3.5M
Review of 2020 Additional Investment Business Cases <ul style="list-style-type: none"> Expenditures Recommended for Deferral 	\$1.3M
TOTAL ONE TIME DEFERRALS RECOMMENDED IN THIS REPORT	\$4.8M
2020 Assessment Growth Funding Allocations <ul style="list-style-type: none"> Allocated \$1.095 million of the assessment growth funding to LTC to be used to offset pressures 	\$1.1M
TOTAL FUNDING TO OFFSET FINANCIAL IMPACT	\$5.9M



Further Measures to Address Pressures

	Impact through August (\$M)
Net Remaining Estimated Impact excluding Water and Wastewater – Including Measures Approved by Council to Date	\$16.8M
Total Funding to Offset Financial Impacts Identified In this Report	(\$5.9M)
NET REMAINING ESTIMATED IMPACT	\$10.9M
Water/Wastewater (Rate Supported)	\$2.6 M

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 including the use of the remaining unallocated assessment growth.

Other Financial Measures & Requests

Boards & Commissions – Measures Taken to Address Pressures

- Summary of measures as provided by each organization is included in the report

RBC Place – Request for Loan Payment Deferral

Water & Wastewater – Waiver of Late Payment Charges Extension Fee Amendments to Support Economic Recovery

Other Factors with Potential Future Financial Implications

- Child Care
- Development Related Revenues
- Property Tax Arrears & Defaults
- Future Assessment Growth Revenues

2021 Budget Approach

- Recommending budget tabling in November and approval in January
 - If a more detailed budget reduction approach is requested, budget tabling would need to be delayed
- Only budget amendments resulting in net budget reductions (or shifts to capital project timing) will be included in the 2021 Budget Update
- If a civic service area or board/commission believes they require an increase to their 2021 budget, advanced approval from the City Treasurer will be required prior to proceeding with the development of the budget amendment
- Increases to 2022 or 2023 budgets will not be considered in the 2021 Budget Update

2021 Budget Approach – Reductions

- For reductions to 2021 and/or future years' tax levy increases, Council should take into consideration our key financial principles
- Also be mindful of the COVID-19 response and recovery principles
- Following graphic illustrates the step-by-step approach Civic Administration recommends in the event that Council wishes to reconsider the 2021 Budget

2021 Budget Approach – Reductions

Step 1:

Review and approve any budget reductions proposed by Civic Administration

Step 2:

Review approved "For Consideration" 2020-2023 Additional Investment Business Cases that have a tax levy impact

Step 3:

Review approved "Administratively Prioritized" 2020-2023 Additional Investment Business Cases that have a tax levy impact

Step 4:

Review approved "Provincial Impacts" for potential re-consideration

Step 5:

If Council wishes to make further reductions, direction should be provided regarding the specific area(s) to be reviewed.

Questions?