

Report to Strategic Priorities and Policy Committee

To: Chair and Members
Strategic Priorities and Policy Committee

From: Anna Lisa Barbon, CPA, CGA, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer

Subject: 2020 Year-End Operating Budget Monitoring Report & COVID-19 Financial Impacts

Date: April 27, 2021

Recommendation

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to the 2020 Year-End Operating Budget Monitoring Report:

- a) The 2020 Year-End Operating Budget Monitoring Report for the Property Tax Supported Budget, Water, and Wastewater & Treatment Budgets **BE RECEIVED** for information. An overview of the net corporate positions are outlined below:
 - i) Property Tax Supported Budget surplus of \$22.3 million prior to the recommendations listed in this report and contribution to the Operating Budget Contingency Reserve, noting a balanced budget position after factoring in these items.
 - ii) Water Rate Supported Budget surplus of \$5.0 million prior to the contribution to the Water Budget Contingency Reserve.
 - iii) Wastewater and Treatment Rate Supported Budget surplus of \$3.9 million prior to the contribution to the Wastewater and Treatment Budget Contingency Reserve.
- b) The following contributions to reserves in accordance with Council direction from the Mid-Year Report **BE RECEIVED** for information, noting the contributions were endorsed as funding sources to offset potential financial impacts of COVID-19 on the City's 2021 Budget:
 - i) \$12.3 million to the Operating Budget Contingency Reserve, noting the year-end contribution takes into account the contributions listed in items c) and d).
 - ii) \$5.0 million to the Water Budget Contingency Reserve.
 - iii) \$3.9 million to the Wastewater and Treatment Budget Contingency Reserve.
- c) Civic Administration **BE AUTHORIZED** to make the following contributions from the Property Tax Supported Budget surplus:
 - i) An additional \$5.0 million to the Economic Development Reserve Fund to support social and economic recovery measures, it being noted the total 2020 contribution for these purposes would be equal to \$10.0 million.
 - ii) Fleet Management net operational savings of approximately \$1.5 million from the Property Tax Supported Budget be contributed to the Vehicle and Equipment Replacement Reserve Fund to offset increasing vehicle costs, and to mitigate potential near-term budget increases due to these cost pressures.
- d) The following allocations from the Property Tax Supported Budget surplus **BE APPROVED** with respect to RBC Place London:
 - i) A one-time grant to support RBC Place operations for the remainder of 2021 in the amount of \$2.5 million.

- ii) A one-time contribution to the RBC Place Renewal Reserve Fund to ensure funding for the current RBC Place capital plan in the amount of \$1.0 million.
- e) The summary of anticipated COVID-19 impacts on the 2021 Budget **BE RECEIVED** for information, noting these represent updated forecasts and may vary as the impacts of the pandemic and recovery continues to dynamically evolve.
- f) The presentation providing an overview of the 2020 Year-End Budget Monitoring and 2021 COVID-19 Impacts (Appendix C) **BE RECEIVED** for information.

Note: The reported year-end position is subject to completion of the financial statement audit.

Executive Summary

This report provides a summary of the operating results related to the 2020 Budget for the Property Tax Supported Budget, the Water Rate Supported Budget and Wastewater and Treatment Rate Supported Budget.

The Property Tax Supported Budget incurred a total of \$69.4 million of COVID-19 financial impacts in 2020 (lost revenues and additional costs). Due to restrictions and uncertainty surrounding funding support, actions were taken to mitigate the significant anticipated financial impacts including discretionary spending freezes, deferrals and adjustments to service levels and services available, among other actions. As the year progressed, announcements of significant Federal and Provincial support were made, with the City of London utilizing a total of \$47.4 million through various programs. Combining this funding with the cost saving measures the City had implemented (total savings of \$44.3 million), the City ended the year in a surplus position for the Property Tax Supported Budget of \$22.3 million.

In accordance with Council direction, the Property Tax net surplus will be set aside in the Operating Budget Contingency Reserve to offset further anticipated financial impacts in 2021 and provide the City flexibility in aiding recovery or funding for other initiatives in response to COVID-19 as necessary. Contributing to the Contingency Reserve will allow the City to stabilize service levels, delivering service levels that Londoners are accustomed to (within COVID-19 health restrictions). If recommendations c) and d) are approved, a portion of these funds will be allocated to support economic and social recovery and additional cost pressures. Should COVID-19 impacts not materialize to the extent anticipated, contributions to Contingency Reserves and the Economic Development Reserve Fund provide flexibility to be utilized to address other emerging needs and opportunities.

The Water Rate Supported Budget incurred additional costs of \$0.1 million related to COVID-19, however also realized a significant consumption-based revenue surplus driven by customers spending more time at home. The surplus from consumption-based revenues totalled \$3.6 million. These factors combined with \$1.5 million surplus driven by various operational cost savings and other fee revenue resulted in the Water Rate Supported Budget ending the year in an overall surplus of \$5.0 million. The \$5.0 million will be allocated to the Water Budget Contingency Reserve, noting this Reserve remains below the target balance.

The Wastewater and Treatment Rate Supported budget incurred lost revenues of \$2.8 million as a result of the delay, due to COVID-19, in rate increases associated with the transfer of the Conservation Authorities' costs from the Property Tax Supported Budget. A total of \$2.8 million of Safe Restart Funding was applied to the Wastewater and Treatment Budget to offset these lost revenues. A total of \$2.7 million of surplus was realized primarily from energy efficiency savings and net operational cost savings, with another \$1.2 million in revenue surplus in consumption-based revenues. These factors resulted in the Wastewater and Treatment Rate Supported Budget ending the year in an overall surplus of \$3.9 million. The \$3.9 million will be allocated to the Wastewater and Treatment Budget Contingency Reserve, noting this Reserve remains below the target balance.

Linkage to the Corporate Strategic Plan

Council's 2019-2023 Strategic Plan for the City of London identifies 'Leading in Public Service' as a strategic area of focus. The City of London's Multi-Year Budget development and monitoring is a strategy to maintain London's finances in a transparent and well-planned manner to balance equity and affordability over the long term. On a semi-annual basis, through the Operating Budget Monitoring Report process, Civic Administration measures the results achieved against approved budgets, and recommends appropriate adjustments in line with City policies and practices. This exercise ensures the operating budget is continuously updated and reflective of the City's Strategic Plan.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Strategic Priorities and Policy Committee, meeting on September 22, 2020, Agenda Item 2.1, 2020 Mid-Year Operating Budget Monitoring Report & COVID-19 Financial Impacts Report

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=74797>

Strategic Priorities and Policy Committee, meeting on June 23, 2020, Agenda Item 2.3, COVID-19 Financial Impacts – Update Report

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=73213>

Strategic Priorities and Policy Committee, meeting on April 28, 2020, Agenda Item 2.1, COVID-19 Financial Impacts and Additional Measures for Community Relief Report

<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=72691>

2.0 Discussion and Considerations

Budget monitoring is a key component for the governance and accountability process of the 2020-2023 Multi-Year Budget. As part of the move to a Multi-Year Budget for the Corporation of the City of London (the "City"), the budget monitoring process and reporting elements were evaluated to ensure that Council and the community are provided with the appropriate amount of information to understand actual and projected spending against the budget.

Throughout 2020, the novel coronavirus (COVID-19) caused interruption to the daily activities of individuals, businesses and institutions around the world. The City of London, along with municipalities across the country, has experienced significant financial consequences. Both the City and related Boards and Commissions adapted as needed to manage the challenges in 2020. As the pandemic endured, senior levels of government stepped in and provided support through funding to help offset the financial impacts being faced by municipalities. As of the time of writing, COVID-19 continues to create disruptions across many facets of municipal operations while uncertainty in both scale and duration of the financial impacts remains.

The purpose of this report is to:

- Provide an overview of the net financial impacts of COVID-19.
- Provide an overview of the financial results of the operating budgets for the Property Tax Supported Budget and rate supported budgets for Water and Wastewater and Treatment.
- Provide information on the allocation of 2020 year-end surplus and obtain Council's approval as applicable.
- Provide an overview of federal-provincial funding as part of the Safe Restart Agreement (SRF) as well as other forms of grants provided in response to COVID-19.

- Provide an updated summary of the COVID-19 factors projected to impact the 2021 Budget and beyond.
- Provide a summary of other emerging issues that may impact the Multi-Year Budget in 2021-2023.

3.0 Financial Impact/Considerations

3.1 2020 Property Tax Supported Operating Budget Monitoring

COVID-19 resulted in significant financial impacts to the City's Property Tax Supported Budget. The City incurred a total of \$69.4 million of COVID-19 financial impacts in 2020 (lost revenues and additional costs). Due to the restrictions and uncertainty surrounding potential funding support from other levels of government, actions were taken to mitigate the significant anticipated financial impacts (as outlined in the June 23rd, 2020 report). These actions included a discretionary spending freeze, the deferral of some capital projects and additional investments, and adjustments to service levels and services available, among others.

With subsequent announcements of significant Federal and Provincial support for the City of London, Civic Administration was able to adjust service level and operational decisions within the prevailing COVID-19 response framework. The City was ultimately provided a total of \$47.4 million through various programs. Further details on COVID-19 Related Grant Funding can be found in the Safe Restart Agreement Funding and Other Related Funding section of this report. The 2020 COVID-19 financial impacts net of Federal/Provincial support resulted in a net deficit from COVID-19 impacts equal to \$22.0 million.

Combining the net deficit from COVID-19 impacts with the actions the City implemented (total savings of \$44.3 million), the City's ended the year in a surplus position of \$22.3 million prior to the recommendations listed in this report and contribution to the Operating Budget Contingency Reserve. A contribution to the Operating Budget Contingency Reserve was endorsed by Municipal Council through the Mid-Year Report to offset the potential financial impacts of COVID-19 on the City's 2021 Budget. The City's Operating Budget Contingency Reserve offers flexibility in that it can be utilized to mitigate the consequences of unforeseen events or one-time unanticipated revenue losses and expenses such as COVID-19, strategic initiatives to support recovery and other emerging issues as they arise. Contributing to the Contingency Reserve will allow the City to stabilize service levels, delivering service levels that Londoners are accustomed to (within COVID-19 health restrictions). Should COVID-19 impacts not materialize to the extent anticipated, contributions to Contingency Reserves and Economic Development Reserve Fund provide flexibility to be utilized to address other emerging needs and opportunities.

Table 1 provides a summary breakdown of the year-end position.

Table 1 – 2020 Year-End Position (\$millions)

Category	Lost Revenues due to COVID-19 (A)	Additional Costs due to COVID-19 (B)	Financial Impacts due to COVID-19 (C) = (A+B)	COVID-19 Related Grant Funding (D)	All Other Factors (E)	Surplus/Deficit (F) = (C)+(D) + (E)
Property Tax Supported Civic Service Areas Budgets	-\$22.5	-\$19.4	-\$41.9	\$35.0	\$29.6	\$22.7
Boards and Commissions Budgets	-\$24.3	-\$3.2	-\$27.5	\$12.4	\$14.7	-\$0.4
Total Civic Areas and Boards and Commissions	-\$46.8	-\$22.6	-\$69.4	\$47.4	\$44.3	\$22.3
Recommendation c) i) for contribution to the Economic Development Reserve Fund for economic & social recovery efforts and flexibility for other related emerging needs and opportunities as required						-\$5.0
Recommendation c) ii) to contribute Fleet operational savings to the Vehicle and Equipment Replacement Reserve Fund						-\$1.5
Recommendation d) i) for a one-time grant to RBC Place London to support operations for the remainder of 2021						-\$2.5
Recommendation d) ii) for a one-time contribution to the RBC Place Renewal Reserve Fund to ensure funding for the RBC Place capital plan						-\$1.0
Contribution to the Operating Budget Contingency Reserve to offset the potential financial impacts of COVID-19 on the City's 2021 Budget and to provide flexibility for other emerging needs and opportunities as required						-\$12.3
Total Civic Areas and Boards and Commissions Surplus/Deficit After Recommendations						\$-

The primary contributing factors driving the year-end position include:

- Lost revenues of \$46.8 million. Main drivers include lost transit revenue due to rear door boarding and reduced ridership, lost user fee revenue due to closure of community centres, recreation facilities and cancellation of recreation events and programming, and lost revenues due to the closure of gaming at the Western Fair.
- Additional costs incurred of \$22.6 million, primarily driven by additional costs to provide temporary housing arrangements for vulnerable populations, costs to support safe re-opening plans, enhanced cleaning and additional personal protective equipment.
- Offset by other grant funding of \$47.4 million primarily driven by the Safe Restart Agreement funding (details outlined in the Safe Restart Agreement Funding and Other Related Funding section of this report).
- Also offset by other factors of \$44.3 million primarily driven by various operational cost savings (net of associated reserve fund contributions) as a result of initiatives and actions undertaken to mitigate and offset negative financial impacts due to the COVID-19 pandemic. Some of the actions taken to mitigate the financial pressures caused by COVID-19 include the deferral of a portion of 2020 capital projects and additional investments approved during the 2020-2023 Multi-Year Budget, and adjustments to capital budget funding sources. Various operational costs savings were driven by temporary closures in various programs and facilities throughout the City as well as a temporary freeze on discretionary spending.

For a breakdown of the surplus/deficit by service grouping, refer to **Appendix A**.

Other COVID-19 2020 Financial Impacts:

Table 2 below shows the updated financial impacts for lost Municipal Accommodation Tax (MAT) revenues and reserve fund investment income for 2020. Lost revenue in these areas does not have a direct impact on the surplus/deficit position for the City's 2020 operating budget, however the loss of revenues has a direct impact on the City's Reserve Fund levels and could have an impact on future year budgets.

Table 2 – Other Financial Impacts (\$millions)

Category	2020 Lost Revenues due to COVID-19
Municipal Accommodation Tax Revenues	-\$2.1
Reserve Funds Investment Income	-\$2.4
Total	-\$4.5

- Lost MAT revenue is due to significantly reduced number of hotel & motel stays (including both the City of London's 50% share and Tourism London's 50% share).
- Reduced Reserve Fund investment income is due to the reduction of interest rates by 150 basis points (1.5%) by the Bank of Canada.

3.2 2020 Water Rate Supported Operating Budget Monitoring

The 2020 Water Rate Supported Budget surplus is \$5.0 million prior to year-end allocations. The surplus will be allocated to the Water Budget Contingency Reserve which remains below target.

Table 3 – 2020 Year-End Position (\$millions)

Category	Lost Revenues due to COVID-19 (A)	Additional Costs due to COVID-19 (B)	Financial Impacts due to COVID-19 (C) = (A+B)	COVID-19 Related Grant Funding (D)	All Other Factors (E)	Surplus/Deficit (F) = (C)+(D)+(E)
Water	\$0.0	-\$0.1	-\$0.1	\$0.0	\$5.1	\$5.0
Contribution to the Water Budget Contingency Reserve						-\$5.0
Total Water Surplus/Deficit After Contribution						\$-

The year-end position is driven by the following:

- Additional costs of \$0.1 million to meet physical distancing requirements and the purchase of additional COVID related personal protective equipment.
- A \$3.6 million surplus in consumption-based revenues driven by residential consumption due to customers spending more time at home and increased outdoor water use.
- A \$0.9 million surplus driven by various operational cost savings.
- A \$0.6 million surplus from other user fee revenue related to increased construction activity.

3.3 2020 Wastewater and Treatment Rate Supported Operating Budget Monitoring

The 2020 Wastewater and Treatment Rate Supported Budget surplus is \$3.9 million. The surplus will be allocated to the Wastewater and Treatment Budget Contingency Reserve which remains below target.

Table 4 – 2020 Year-End Position (\$millions)

Category	Lost Revenues due to COVID-19 (A)	Additional Costs due to COVID-19 (B)	Financial Impacts due to COVID-19 (C) =(A+B)	COVID-19 Related Grant Funding (D)	All Other Factors (E)	Surplus/Deficit (F) =(C)+(D) +(E)
Wastewater and Treatment	-\$2.8	-\$0.2	-\$3.0	\$2.8	\$4.1	\$3.9
Contribution to the Wastewater and Treatment Budget Contingency Reserve						-\$3.9
Total Wastewater and Treatment Surplus/Deficit After Contribution						\$-

The year-end position is driven by the following:

- Lost revenues of \$2.8 million due to COVID-19 are the result of the delay of the 3.5% additional Wastewater rate increase approved during the 2020-2023 Multi-Year Budget deliberations to fund the portion of the Conservation Authorities' costs shifted from the Property Tax Supported budget to the Wastewater & Treatment budget.
- Additional costs of \$0.2 million to meet physical distancing requirements and the purchase of additional COVID related personal protective equipment.
- Utilization of \$2.8 million of Safe Restart Funding to offset the \$2.8 million in lost revenues due to COVID-19.
- Savings of \$2.9 million driven by energy efficiency savings and various operational cost savings as a result of initiatives and actions undertaken to mitigate and offset potential negative financial impacts due to the COVID-19 pandemic.
- Surplus in consumption-based revenues of \$1.2 million, consistent with high residential water consumption noted above.

3.4 Safe Restart Agreement Funding and Other Related Funding

As noted above, significant financial support was provided by the Federal and Provincial governments to municipalities over the course of 2020 and into 2021. This section provides a summary of that funding support.

On July 27, 2020, the Government of Ontario announced it had secured up to \$4 billion as part of the federal-provincial Safe Restart Agreement. This funding is available to all municipalities in Ontario as a relief measure to address the significant financial consequences municipalities have been facing due to COVID-19. A total of \$2 billion is available to provide relief to Ontario municipalities' operating budget pressures and \$2 billion is available to address municipal transit pressures, noting that London received notification of our Phase I funding allocations on August 12, 2020.

Phase I Funding: Operating and Municipal Transit

The City of London's share of Phase I funding was \$40.5 million, \$21.9 million of which is available to support COVID-19 operating costs and pressures under the Municipal Operating Funding stream. The remaining \$18.5 million is Municipal Transit Funding to support COVID-19 municipal transit pressures incurred from April 1, 2020 to September 30, 2020, noting any unallocated funding at the end of September must be placed in a reserve to be utilized for COVID-19 related impacts up to and including March 31, 2021.

Phase II Funding: Operating and Municipal Transit

In December 2020, the Government of Ontario announced it was investing an additional \$695 million under the Safe Restart Agreement's Municipal Operating Stream to help manage the financial impacts of COVID-19 in 2021. The City of London's allocation amounted to \$4.4 million. At the same time, it was announced Phase 2 allocations under the Municipal Transit Program amounted to \$1.5 billion. The allocation under this stream for the City of London was up to \$23.2 million. The municipal transit envelope is for one-time eligible expenditures incurred from October 1, 2020 to March 31, 2021 and reimbursed based on required reporting in accordance with the Province's eligibility criteria.

Phase III Funding: Municipal Transit

On March 3, 2021, it was announced the Government of Ontario was investing an additional \$650 million of funding related to COVID-19 financial impacts on transit. Of the total \$650 million envelope, the City of London's allocated share will amount to \$18.1 million to be applied against eligible expenditures for the period between April 1, 2021 and December 31, 2021. The Province has also indicated that, at its sole discretion and on a case-by-case basis, it may grant extensions of the Phase 3 period to cover costs incurred after December 31, 2021 but prior to January 1, 2023.

2021 COVID-19 Recovery Funds

On March 4, 2021, the Government of Ontario announced an additional \$500 million investment to help municipalities further respond to 2021 operating budget pressures due to COVID-19. The City of London has been notified that its share of this funding will amount to \$11.7 million, noting that a report on the City's use of Safe Restart funding for 2020 and 2021 and a plan on use of funds under the 2021 program will be required in June 2021. A final report will be expected in spring of 2022.

Other Related Funding

In addition to the major announcements and support mentioned above, additional grant funding has been made available through the following programs in 2020 and 2021:

- Safe Restart Childcare Funding – additional funding support for the child care sector was provided under the Safe Restart program to support safe re-opening plans. Consolidated Municipal Service Managers (CMSMs) are provided funding to allocate to child care operators which can be used for additional personal protective equipment (PPE, such as gloves, gowns, etc.), enhanced cleaning, additional staff to meet health and safety requirements, support for short term vacancies as operators transition to return to full capacity, and minor capital needs.
- Social Services Relief Fund (SSRF) – funding available to assist vulnerable people with their housing needs and to help them find long-term housing solutions
- Federal Economic Response Plan Homeless Prevention Funding – funding available to support the COVID-19 response capacity and prevent the virus from spreading amongst those experiencing, or at risk of experiencing, homelessness.
- Long-Term Care Prevention & Containment Funding, Wage Grants – funding available for prevention, containment and pandemic related costs, as well as other wage supports and personal support worker wage enhancements.
- Other various Wage, Service Support and Personal Protective Equipment (PPE) Grants – funding available to support COVID assessment centre costs, enhanced cleaning, PPE and various wage grants.

A summary of the City's portion of other related funding streams is detailed in the tables below. In most cases, these funding streams are to be applied to specific eligible costs under the various programs and are not available to offset general municipal COVID-19 pressures.

Table 5 – Other Related Funding Utilized/Recognized in 2020

2020 Program/Funding	Amount (in millions)
Safe Restart Childcare Funding	\$4.7
Provincial Social Services Relief Funding (SSRF)	\$3.8
Federal Economic Response Plan Homeless Prevention Funding	\$3.1
Long-Term Care Prevention & Containment Funding, Wage Grants	\$1.7
Other various Wage, Service Support and PPE Grants	\$3.5

Table 6 – Projected Other Related Funding to be Utilized/Recognized in 2021

2021 Program/Funding	Amount (in millions)
Provincial Social Services Relief Funding (SSRF)	\$7.1
Provincial Child Care and Early Years Re-Investment Funding	\$1.8
Federal Economic Response Plan Homeless Prevention Funding	\$1.6
Long-Term Care Prevention & Containment Funding, Wage Grants	\$1.7
Other various Wage, Service Support and PPE Grants	\$1.9

For the purposes of this monitoring report, COVID-19 related funding has been captured in its own category both for 2020 and 2021 for amounts that have been applied, projected to be applied and/or eligible for each respective year.

4.0 Key Issues and Considerations

4.1. Future COVID-19 Projected Financial Impacts

2021 Budget

Several services have identified areas of significant uncertainty as they relate to the potential magnitude and duration of COVID-19 financial impacts on the City's 2021 Budget (Table 7). This table contains estimated financial impacts to the City of London in terms of potential lost revenues, additional costs and COVID-19 related grant funding for the 2021 Property Tax, Water, and Wastewater and Treatment Budgets. Civic Administration is continuing to actively monitor factors potentially impacting the 2021 Budget which are anticipated to be significant.

Table 7 – Summary of Factors Anticipated to Affect 2021 Budget (\$millions)

Category	2021 Lost Revenues due to COVID-19	2021 Additional Costs due to COVID-19	2021 COVID-19 Related Grant Funding	2021 COVID-19 Total Impact
Property Tax Supported Budget: Civic Service Areas	-\$19.5	-\$14.6	\$28.2	-\$5.9
Property Tax Supported Budget: Boards and Commissions excluding London Transit Commission	-\$5.9	-\$1.1	\$0.5	-\$6.5
Property Tax Supported Budget: London Transit Commission	-\$14.4	-\$0.9	\$15.3	\$0.0
Subtotal Property Tax Supported Budget	-\$39.8	-\$16.6	\$44.0	-\$12.4
Water Rate Supported Budget	\$0.0	-\$0.1	\$0.0	-\$0.1
Wastewater and Treatment Rate Supported Budget	-\$1.4	-\$0.4	\$1.4	-\$0.4
Subtotal Water and Wastewater Budget	-\$1.4	-\$0.5	\$1.4	-\$0.5
Total Property Tax, Water, and Wastewater Budget	-\$41.2	-\$17.1	\$45.4	-\$12.9

Subject to rounding.

Details on COVID-19 Related Grant Funding for 2021 can be found in the Safe Restart Agreement Funding and Other Related Funding section of this report, it being noted that this funding directly offsets financial impacts due to COVID-19 noted in the above table. Service areas included in the table above projecting to have significant financial impacts from COVID-19 or significant uncertainty include, but are not limited to, the following:

Civic Service Areas

- Neighbourhood & Recreation Services – User fee revenues would be significantly impacted by closures or reduced hours of community centres, recreation facilities and cancellation of sports and recreation events and programming. Participation rates may be slow to recover as physical distancing and capacity restrictions ease.
- Ontario Lottery & Gaming Revenues – There is great uncertainty with Ontario Lottery and Gaming revenues. With the uncertainty of another wave of COVID-19, it is unknown to what extent revenue will be impacted in 2021.
- Parking – Parking revenues are anticipated to be reduced due to decreased demand for paid parking.
- Investment Income – The City is anticipating a significant reduction to investment income due to the reduction of interest rates by 150 basis points (1.5%) by the

Bank of Canada. The reduced investment income will be somewhat offset by lower interest rates on debenture issuances; however it is anticipated that the lost investment income will exceed the debt servicing savings.

- Various Services – Costs to support safe re-opening plans, enhanced cleaning, and additional personal protective equipment.

Boards & Commissions

- Middlesex London Health Unit – There is uncertainty on the impact of costs and funding support related to COVID-19 and vaccine rollout. At this time, the Health Unit cannot quantify the costs related to COVID-19 for 2021, however the Ministry of Health has committed that there will be a process for public health units to request reimbursement of COVID-19 extraordinary costs incurred in 2021.
- RBC Place London – COVID-19 has caused the cancellation of all large events and gatherings, significantly impacting the primary revenue streams of RBC Place London. It is currently anticipated that the convention industry will be slow to recover. See “RBC Place London Funding Request” section below for further information.
- London Transit Commission – LTC is projecting lost revenue of \$14.4 million due primarily to lower-than-normal ridership and related revenue. However, it is anticipated that Municipal Transit Safe Restart Funding will offset any net impacts in 2021.

Current 2021 projections (as noted above) assume that for both transit and municipal operating Safe Restart Agreement funding, all available and eligible funds have been utilized. As a mitigation strategy for residual costs, the City of London has redirected strategic reserve fund contributions to provide contingencies for future COVID-19 impacts in 2021. For the Property Tax Supported Budget, a total of \$12.3 million will be contributed to the Operating Budget Contingency Reserve pending approval of recommendations c) and d) in this report. If necessary, this funding can be utilized to cover the anticipated 2021 financial impacts of COVID-19, currently projected at \$12.4 million after utilizing available grant funding. For the Water and Wastewater and Treatment Budgets, the contributions to the Water and Wastewater Contingency Reserves can be utilized to cover the current projected COVID-19 impacts in 2021, noting that the balances in these Contingency Reserves remain below target. However, if pandemic-related restrictions intensify or persist longer than anticipated and significantly exceed the current projected financial impact, other measures may be necessary to mitigate lost revenues and additional costs for the Property Tax, Water and Wastewater Budgets. These measures may include, but are not necessarily limited to, discretionary spending freezes, deferral of new investments, etc.

2022 Budget

Civic Administration is anticipating further pressures into 2022 such as reductions in revenues of payment in lieu of taxes from the London International Airport Authority as a result of the legislative formula for calculating this payment (based on two year prior passenger traffic and then limited to a 5% cap on annual payment increases). Furthermore, given the unknown duration and magnitude of COVID-19 impacts, there may continue to be additional costs and lost revenues in 2022. Civic Administration will continue to monitor these anticipated impacts as 2021 progresses.

4.2. Social and Economic Recovery Measures

In accordance with the Council resolution from the Mid-Year Operating Budget Monitoring Report to the Strategic Priorities and Policy Committee on September 22nd, 2020, a \$5 million contribution has been made to the Economic Development Reserve Fund to support social and economic recovery measures. This includes recommendations originating from the London Community Recovery Network (LCRN).

Under Phase 1, LCRN members generated 70 Ideas for Action with the potential to impact community recovery. Twelve of these Ideas were implemented by the City and

did not require funding. These included initiatives to provide food, shelter, and basic services to at-risk communities, as well as more streamlined responses for businesses.

25 Ideas required action by the City and were presented to Municipal Council on February 25. Ideas were under the following themes: 1) ideas to explore, support and buy local; 2) ideas to improve the core area and infrastructure; 3) ideas to address business and employment; 4) ideas to improve housing, health, and social supports; and 5) ideas to support arts, culture, tourism, and hospitality industries. 20 of the 25 Ideas were approved by Council with eight Ideas receiving municipal investment totaling \$1.88 million.

A further 24 Ideas for Action were identified to be implemented through the community. Civic Administration is working with community partners to develop implementation plans for these Ideas which will be brought to Strategic Priorities and Policy Committee on May 18, 2021. Some of these Ideas may seek funding from the \$5 million already set aside.

Any of the municipally led or community led Ideas that are not approved by Council or cannot be addressed in the short term will be moved to the LCRN idea bank as a potential resource for future community recovery initiatives. The remaining nine Ideas are medium to long term or require other governments and advocacy.

Phase 2 of the LCRN process will leverage the work underway from Phase 1 with the goal of a strong, deep, and inclusive recovery for the community. Phase 2 should span from May to early fall 2021. Deliverables include a three-year Community Recovery Framework; a commitment to build the Framework into individual recovery efforts of LCRN organizations; and a process for progress reports as a community over the three-year timeframe. Phase 2 may also draw on remaining funding from the \$5 million that was set aside in September 2020.

Recognizing the considerable work still to be done to help the community recover from the impacts of COVID-19, Civic Administration is recommending that an additional \$5 million be contributed to the Economic Development Reserve Fund to support additional social and economic recovery measures, which if approved, would bring the total 2020 contribution for these purposes to \$10.0 million.

4.3. RBC Place London Funding Request

As outlined in previous reports on COVID-19 financial impacts, the pandemic has had a significant impact on RBC Place London. Physical distancing requirements, limits on indoor gatherings and general apprehension about group events has made most events impossible, impractical and/or uneconomical for RBC Place. This has resulted in most of RBC Place's budgeted revenues not materializing. As part of the 2020 Operating Budget Mid-Year Monitoring Report, Council approved a one-time grant in the amount of \$1.6 million to sustain RBC Place's operations through 2020. Additionally, as part of the 2021 Annual Budget Update, Council approved forgiveness of the outstanding promissory note payable to the City of London, providing further financial relief for RBC Place.

Despite the promise of the end of the pandemic with the vaccine roll-out currently underway, it is anticipated that 2021 will be another challenging year, with only limited events that may be possible in the last month or two of the year. As such, this report recommends a one-time grant in the amount of \$2.5 million to RBC Place in order to sustain RBC Place's operations through 2021 and provide some financial flexibility as RBC Place endeavors to ramp up normal operations in 2022.

Additionally, this report recommends a one-time contribution of \$1.0 million to the RBC Place Renewal Reserve Fund in order to ensure that the current RBC Place capital plan remains fully funded despite pressures on the reserve fund.

For further information, please refer to the accompanying report on the April 27th, 2020 Strategic Priorities and Policy Committee agenda entitled "RBC Place London – COVID-19 Financial Impacts."

4.4. Contribution to Vehicle & Equipment Replacement Reserve Fund

This report also recommends the Fleet Management net operational surplus of \$1.5 million be contributed to the Vehicle & Equipment Replacement Reserve Fund. The Vehicle & Equipment Replacement Reserve Fund is expected to experience medium-term pressures due to:

- Escalating vehicle replacement costs due to short-term factors such as strong vehicle demand over the past year, coupled with longer-term factors such as higher raw materials costs and tariffs increasing the cost of new vehicles.
- Several government regulatory requirements related to emission control systems and technology being passed down from manufacturers in the selling prices of vehicles.
- The need to replace aging vehicles with more fuel-efficient alternatives (e.g. electric vehicles, gas-electric hybrids, etc.), which typically have a greater cost.

Contributing the Fleet Management operational surplus of \$1.5 million to the Vehicle & Equipment Replacement Reserve Fund will benefit all civic service areas by preventing a short-term increase to vehicle & equipment rental rates, avoiding a potential near-term budget pressure related to those increased rates.

4.5. Other 2021-2023 Emerging Issues

Several services have identified other potential service delivery pressures that may impact expenditures/revenues in 2021-2023 (Table 8). The table describes some of the more significant issues and the measures taken to mitigate or address these issues. The table does not include all of the potential service delivery pressures. Civic Administration is continuing to actively monitor all emerging issues, including items not listed below. The likelihood of the issue impacting the Multi-Year Budget, high, medium or low, is also presented. The definitions of the likelihood measures are as follows:

- High – the likelihood of the issue occurring over the 2021-2023 period is predicted to be greater than 60%
- Medium – the likelihood of the issue occurring over the 2021-2023 period is predicted to be between 30% and 60%
- Low – the likelihood of the issue occurring over the 2021-2023 period is predicted to be less than 30%

Table 8 – Summary of Potential Future Budget Impacts

Category / Emerging Issue	Likelihood of Emerging Issue Impacting 2021-2023 Budget
Legislative	
<p>1. Multiple Services - Federal & Provincial Governments - The Federal and Provincial Governments have taken immediate measures in responding to the economic and social fallout resulting from the COVID-19 pandemic. As outlined in the section above, the City of London has received funding allocations for COVID-19 related municipal operating costs and pressures in 2020 and 2021. However, significant uncertainty remains with regards to magnitude and duration of the recovery from COVID-19. Significant uncertainty also exists regarding senior government funding support for COVID-19 economic recovery in future years.</p> <p>What we are doing to mitigate/address the issue: Civic Administration is continuously monitoring projected financial impacts from COVID-19 and will utilize the available funding to mitigate the impacts. In the event that the funding allocations do not fully offset</p>	High

Category / Emerging Issue	Likelihood of Emerging Issue Impacting 2021-2023 Budget
<p>COVID-19 impacts, further actions may be required to balance the Corporation's budget.</p>	
<p>2. London Police Services - Provincial Funding under the Court Security & Prisoner Transportation grant program is under review for the first time since 2008. Some changes are expected to this province wide program.</p> <p>What we are doing to mitigate/address the issue: The Ontario Association of Chiefs of Police are in continuous contact with the Ministry to ensure the perspective of local police services is communicated.</p>	High
<p>3. Social & Community Support Services - Employment Services Transformation - The Province of Ontario is transforming employment services across Ontario. On July 2, 2019 the Government of Ontario announced that the new employment services model would first be implemented in the following 3 prototype regions: Region of Peel, Hamilton-Niagara and Muskoka-Kawarthas. Full implementation will be phased in over the next several years. The City of London has not been selected as one of the early sites and there could potentially be significant budgetary impacts if the City is not selected as a permanent employment services program delivery provider.</p> <p>What we are doing to mitigate/address the issue: The Ontario Works Administrator is working closely with the Ministry and colleagues across the province to ensure London's input on the desired state of employment service delivery is known.</p>	High
<p>4. Social & Community Support Services - Social Assistance - On February 11, 2021, the Province of Ontario released an update of their plans for Social Assistance Transformation and Human Services Integration. This plan includes centralizing functions, employment services transformation, a human services integration and a change to the funding model and accountabilities. This transformation is expected to occur over the period of 2020-2024. 2020-2022 will be largely "learning and testing years". 2022-2024 will be a period of continued implementation of centralized services and municipalities delivering life stabilization to OW/ODSP. 2024 will be the roll-out of a new human services model with municipalities providing integrated life stabilization supports to social assistance clients, people in crisis and other municipal programs.</p> <p>What we are doing to mitigate/address the issue: Financial impacts related to a change in funding model are unknown at this time as the Ministry plans to involve municipalities in the co-design of the model. The Ontario Works Administrator is working closely with the Province and colleagues across the Province to ensure London's input on the desired state of employment service delivery is known. London will actively participate in any prototype opportunities.</p>	High
<p>Cost/Revenue Driver</p>	
<p>1. Garbage Recycling & Composting - City staff has previously noted the Chinese "National Sword" program as an emerging issue with a high likelihood to impact the operating budget. The program continues to significantly limit global access to the large Chinese recovered materials markets and is placing</p>	High

Category / Emerging Issue	Likelihood of Emerging Issue Impacting 2021-2023 Budget
<p>significant downward pressure on the value of global recovered material end markets for items recovered through Blue Box recycling programs across North America. Revenues received for recovered materials in 2019 were significantly below budget. COVID-19 has further complicated and deteriorated the stability of end markets. It is likely that revenues for recovered materials will be below budget for 2021 and beyond.</p> <p>What we are doing to mitigate/address the issue: Staff members have been working with our Blue Box collection and Material Recovery Facility (MRF) operations service provider Miller Waste Systems to ensure that recovered materials produced from the MRF are of a quality required to continue to be marketed during these market conditions. In April 2019, Council approved a staff recommendation to install new mechanical components to upgrade the existing Old Corrugated Cardboard (OCC) screen in an effort to improve recovered material quality and preserve the revenue stream for these materials. Staff will continue to review whether additional capital investment is warranted to preserve the recovered material revenue stream and offset future operating cost increases. This review will be inclusive of the fact that municipalities may no longer be responsible for operating a Blue Box program once operational and financial responsibility is transferred to producers of packaging (i.e., any investment will need to have a quick and simple payback). See emerging issue below for further information on proposed changes to the Blue Box Program.</p>	
<p>2. Garbage Recycling & Composting - On October 19, 2020, the proposed regulation to transition the Blue Box program from 100% municipal responsibility and 50% funding responsibility to 100% industry responsibility and funding was released for comment. London is slated to transition some time in 2023. The regulation is not finalized (as of April 1, 2021).</p> <p>What we are doing to mitigate/address the issue: Estimated savings to the City will range between \$1 million and could reach \$4 million by 2026. The actual amount will be based on a negotiation with Industry (Producer Responsibility Organization – PRO) and our current contractor, Miller Waste Systems. Once further information is known, adjustments to the budget will be brought forward to a future annual budget update process. There may be some savings as early as 2023; however that will not be known until late 2021 or early 2022.</p>	High
<p>3. Social & Health Services - Housing Services - Federal funding for social housing is decreasing over time; however, the costs of social housing are not decreasing at the same rate and consequently may impact the City's net Housing Services budget going forward. While this budget pressure is manageable in the short term, a longer-term solution is required to ensure the sustainability of funding.</p> <p>What we are doing to mitigate/address the issue: With the receipt of the provincial confirmed & planned Canada-Ontario Community Housing Initiative (COCHI) & Ontario Priority Housing Initiative (OPHI) Housing investment up to March 2022, the Housing Division is planning for the allocation of this funding. Funding for subsequent years, beyond 2022, is unknown at this time. An estimated revenue placeholder has been included in the Multi-Year Budget, however if no additional funding is provided,</p>	High

Category / Emerging Issue	Likelihood of Emerging Issue Impacting 2021-2023 Budget
<p>there will be a shortfall starting in 2022. A budget amendment may need to be considered.</p>	
<p>4. Social & Health Services - Land Ambulance - There continues to be uncertainty in Land Ambulance as it relates to call volume growth as overall demand for paramedic services is expected to continue growing. This is being further compounded by offload delays, uncertainty in provincial funding, overdue capital investments, etc. There have also been ongoing provincial consultations that are occurring with respect to improving future service delivery of land ambulance and public health. The provincial government is seeking input across communities in Ontario to help develop new models for patient care and improved delivery of emergency health services, noting that this review has been delayed as a result of COVID-19.</p> <p>What we are doing to mitigate/address the issue: Administration will continue to work with our funding partners to explore opportunities for collaboration and improvements that will benefit the entire system, as well as continue to participate in the consultation opportunities and stay apprised of the latest developments.</p>	<p>High</p>
<p>5. Middlesex-London Health Unit - At its February 21st meeting, the Board of Health for the Middlesex-London Health Unit approved a budget that includes unanticipated increases related to inflationary cost pressures and higher occupancy-related costs for the new office space at Citi Plaza. Funding for these cost pressures is being requested from the Health Unit's municipal partners. These cost pressures were not included in the City's 2021 Budget Update process and will represent an in-year pressure on the 2021 budget.</p> <p>What we are doing to mitigate/address the issue: Civic Administration is working with Middlesex-London Health Unit staff to ensure that a budget amendment is submitted for consideration as part of the 2022 Budget Update.</p>	<p>High</p>
<p>6. Payment in Lieu (PIL) of Taxation - London Airport - The London International Airport provides a payment in lieu of taxes that is based on a per-passenger rate according to the number of travellers utilizing the airport in previous years. This payment to the City of London is anticipated to decrease in 2022 by \$0.5 million and is attributed to a decline in the total number of enplaned and deplaned passengers in London. This payment reduction will continue thereafter, even after the total number of passengers return to previous levels, as the Municipal Act caps annual increases. Annual increases in the amount of the payment are capped to 5% regardless of the actual increase in number of passengers. It is anticipated that this will impact the City's PIL from the London Airport for numerous years to come.</p> <p>What we are doing to mitigate/address the issue: Civic Administration will continue to communicate with the London Airport Authority to monitor the passenger volume that is applicable to PIL to determine what the future potential financial impacts might be. Civic Administration is engaging with the Ministry to advocate for the removal of the 5% cap in light of the future impacts this will have on the City's Budget.</p>	<p>High</p>

Conclusion

The Property Tax, Water, and Wastewater and Treatment Budgets incurred significant financial impacts in 2020 due to COVID-19. Due to restrictions and uncertainty surrounding funding support, actions were taken to mitigate the significant anticipated financial impacts. During the year, announcements of significant Federal and Provincial support were made. With this funding support, and combined with actions taken by the City, the Property Tax, Water, and Wastewater and Treatment Budgets ended the year in a surplus after covering the residual deficit impacts of COVID-19. These budgets are balanced after the recommended contributions in order to continue to provide support for future COVID-19 impacts and support the economic recovery and reopening of services in the City of London for its residents and partners.

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Appendix A – 2020 Year-End Financial Summary – Property Tax Supported Budget (\$millions)

Property Tax Supported Budget – Civic Service Areas

Category	Lost Revenues due to COVID-19	Additional Costs due to COVID-19	COVID-19 Related Grant Funding	All Other Factors	Surplus/Deficit
Centennial Hall	-0.6	0.0	0.0	0.5	-0.1
Arts, Culture & Heritage Advisory & Funding	0.0	0.0	0.0	0.0	0.0
Heritage	0.0	0.0	0.0	0.0	0.0
Economic Development	0.0	0.0	0.0	0.1	0.1
Community Improvement/BIA	0.0	0.0	0.0	0.1	0.1
Environmental Action Programs & Reporting	0.0	0.0	0.0	0.0	0.0
Garbage Recycling & Composting	-0.3	-0.1	0.0	0.4	0.0
Neighbourhood & Recreation Services	-10.6	-5.3	5.1	11.6	0.8
Parks & Urban Forestry	0.0	0.0	0.0	2.0	2.0
Building Approvals	-0.3	0.0	0.0	1.3	1.0
Planning Services	0.0	0.0	0.0	0.9	0.9
Development Services	-0.3	-0.1	0.0	0.7	0.3
Animal Services	-0.3	0.0	0.0	0.3	0.0
By-law Enforcement	-0.1	0.0	0.0	0.3	0.2
Corporate Security & Emergency Management	0.0	-0.9	0.6	0.3	0.0
Fire Services	0.0	-0.5	0.0	-0.2	-0.7
Housing Services	0.0	0.0	0.0	0.7	0.7
Land Ambulance	0.0	0.0	0.0	0.0	0.0
Long Term Care (Dearness)	-0.3	-1.8	1.7	2.0	1.6
Social and Community Support	0.0	-9.0	8.5	6.7	6.2
Parking	-2.5	0.0	0.0	-0.2	-2.7
Roadways	0.0	-0.3	0.0	7.3	7.0
Rapid Transit	0.0	0.0	0.0	0.0	0.0
Corporate Services	-0.1	-0.8	0.0	10.2	9.3
Corporate Planning & Administration	0.0	0.0	0.0	0.8	0.8
Council Services	0.0	-0.1	0.0	0.6	0.5
Public Support Services	-2.1	0.0	0.0	1.4	-0.7
Corporate Financing	-5.1	-0.5	19.1	-18.3	-4.8
Total Civic Areas Surplus/Deficit	-22.5	-19.4	35.0	29.6	22.7

Subject to rounding.

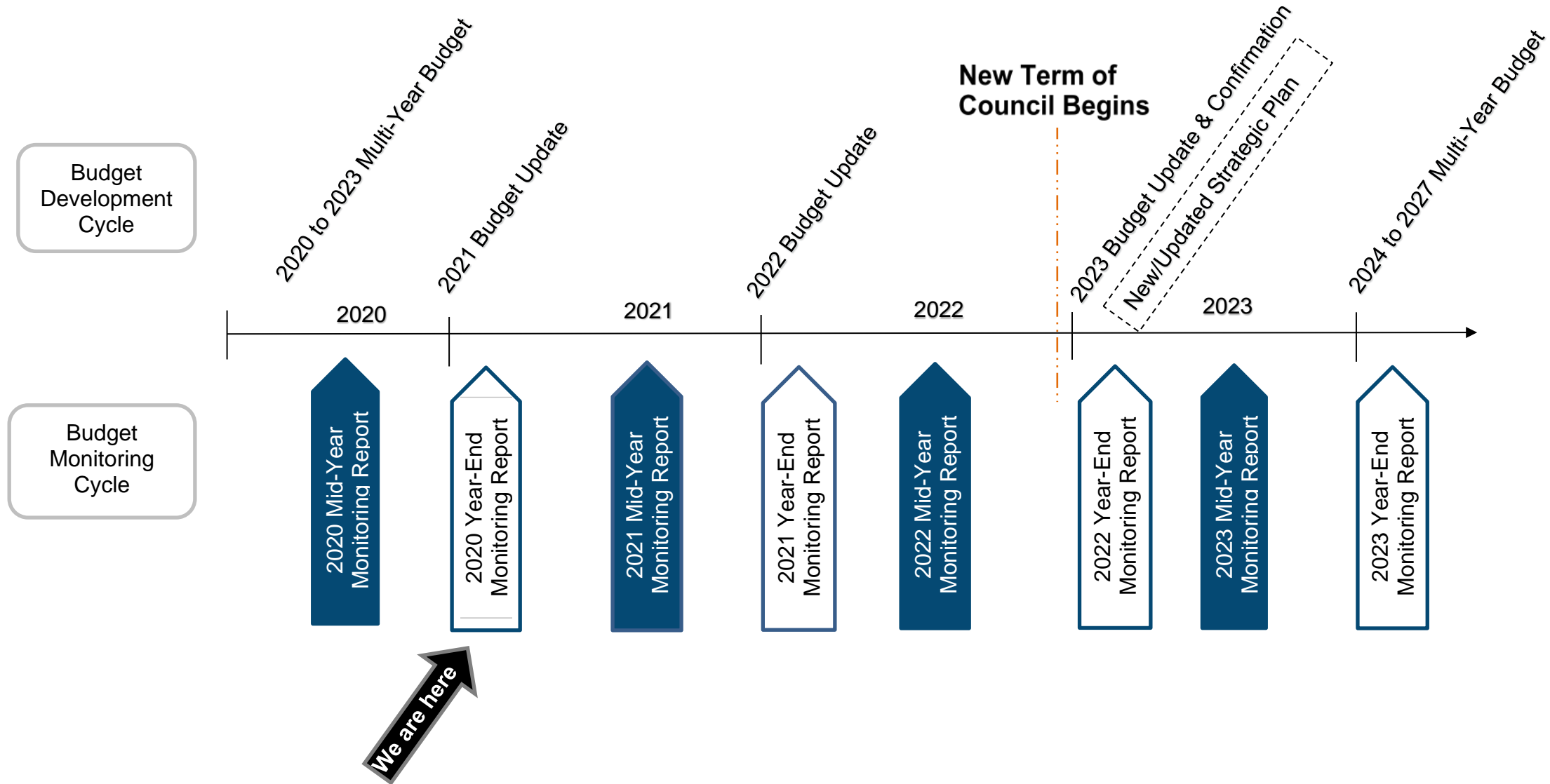
Property Tax Supported Budget – Boards & Commissions

Category	Lost Revenues due to COVID-19	Additional Costs due to COVID-19	COVID-19 Related Grant Funding	All Other Factors	Surplus/Deficit
Museum London	-0.3	0.0	0.6	-0.3	0.0
Eldon House	-0.1	0.0	0.0	0.1	0.0
London Public Library	-0.3	-0.1	0.0	0.4	0.0
RBC Place London	-4.8	0.0	0.0	3.2	-1.6
Tourism	0.0	-0.3	0.3	0.0	0.0
Covent Garden Market	-1.5	-0.1	0.0	1.6	0.0
Conservation Authorities	-0.5	0.0	0.0	0.5	0.0
London Police Services	-0.5	-0.9	0.0	1.4	0.0
Housing Development Corporation	0.0	0.0	0.0	0	0.0
London & Middlesex Community Housing	0.0	-0.2	0.0	0.8	0.6
Middlesex-London Health Unit	0.0	-1.5	0.0	2.1	0.6
London Transit Commission	-16.3	-0.1	11.5	4.9	0.0
Total Boards & Commissions Surplus/Deficit	-24.3	-3.2	12.4	14.7	-0.4
Total Civic Areas and Boards & Commissions Surplus/Deficit Prior to Recommendations	-46.8	-22.6	47.4	44.3	22.3

Subject to rounding

Appendix B – Multi-Year Budget Cycle

The timeline below illustrates when Council will receive the various reports that form the 2020 to 2023 Multi-Year Budget governance and accountability process.





**2020 Year-end Budget Monitoring &
2021 COVID-19 Impacts**

April 27, 2021

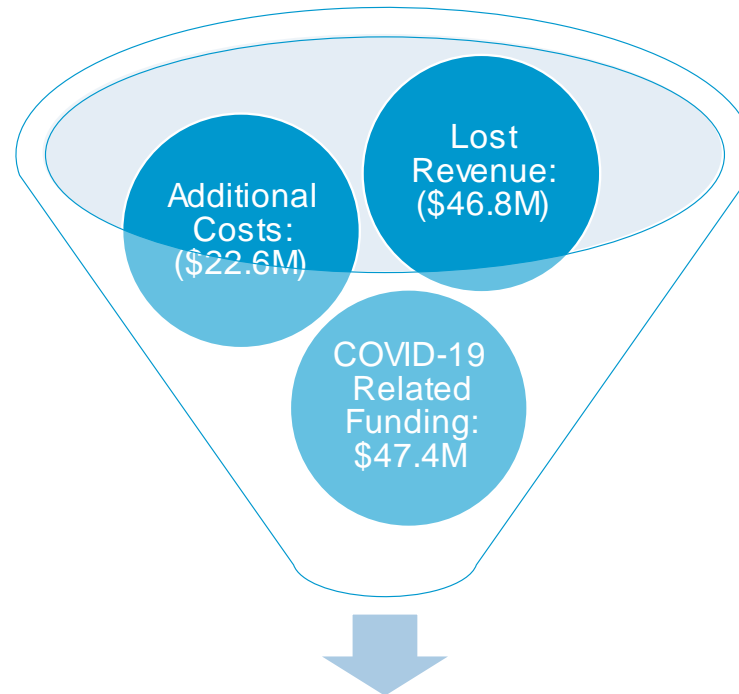
Summary

- The City incurred total 2020 COVID financial impacts of \$69M (lost revenues & additional costs)
- Due to the COVID restrictions & uncertainty about funding support, actions were taken to mitigate the significant anticipated financial impacts, including:
 - Discretionary spending freeze
 - Deferral of some capital projects & additional investments
 - Adjustments to service levels and services available
- Significant Federal and Provincial support was ultimately provided through various programs (\$47M)
- 2020 COVID impacts net of Federal/Provincial support = \$22M (\$69M - \$47M)

Summary – continued

- The actions taken to mitigate COVID impacts resulted in total savings of \$44M
- Offsetting the net COVID impacts with these savings results in a total 2020 surplus of \$22M
- The \$22M surplus is recommended to be allocated to
 - Additional \$5M to Economic Development Reserve Fund for economic & social recovery (\$10M total)
 - \$1.5M to Vehicle & Equipment Replacement Reserve Fund to alleviate forecasted pressures
 - \$2.5M to RBC Place for one -time 2021 operating support
 - \$1M to the RBC Place Renewal Reserve Fund to maintain current RBC Place capital plan
 - \$12.3M to Operating Budget Contingency Reserve for 2021 COVID impacts (currently projected to be approx. \$12.4M)

2020 COVID-19 Financial Impacts Summary



2020 Net COVID-19 Impacts: (\$22.0M)

Note: All figures throughout subject to rounding and refer to Property Tax Supported Budget only.

2020 COVID-19 Financial Impacts – Gross Impact

Lost Revenues: (\$46.8M)

<p>Civic Service Areas: (\$22.5M)</p> <ul style="list-style-type: none"> • Neighbourhood & Recreation Services • Parking • OLG Revenues • POA • Investment Income 	<p>Boards & Commissions: (\$24.3M)</p> <ul style="list-style-type: none"> • London Transit • RBC Place • Covent Garden Market • London Police Service
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+

Additional Costs: (\$22.6M)

<p>Civic Service Areas: (\$19.4M)</p> <ul style="list-style-type: none"> • Homeless Prevention • Child Care • Long-term Care • Corp. Security & Emergency Mgmt. • Facilities • ITS 	<p>Boards & Commissions: (\$3.2M)</p> <ul style="list-style-type: none"> • Middlesex London Health Unit • London Police Service
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Total COVID-19 Impacts: (\$69.4M)

Civic Service Areas: (\$41.9M)	Boards & Commissions: (\$27.5M)
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2020 COVID-19 Financial Impacts – Net Impact

Total COVID-19 Impacts: (\$69.4M)

Civic Service Areas: (\$41.9M)

Boards & Commissions: (\$27.5M)

+

COVID-19 Related Grant Funding: \$47.4M

Civic Service Areas: \$35.0M

- Safe Restart (Municipal Operating)
- Safe Restart (Child Care)
- Social Services Relief Fund
- Federal Economic Response Plan
- Long-term Care

Boards & Commissions: \$12.4M

- Safe Restart (Transit)

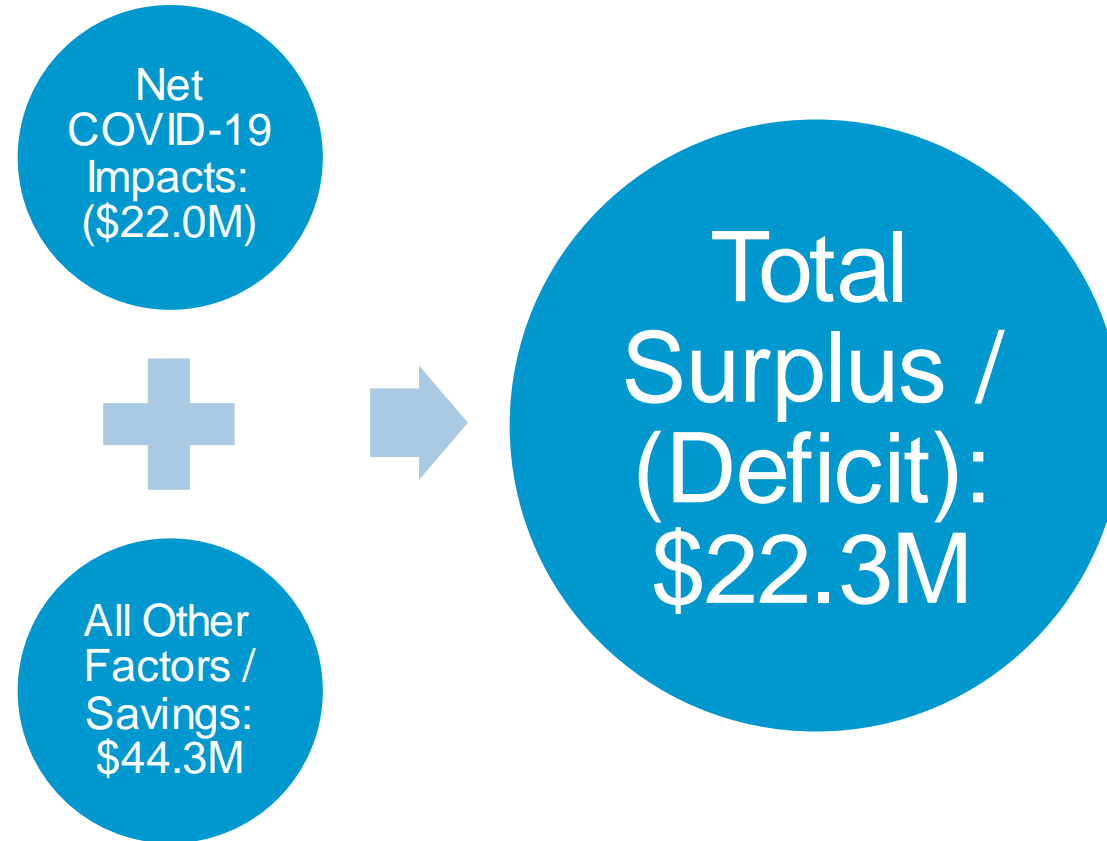
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Net COVID-19 Impacts: (\$22.0M)

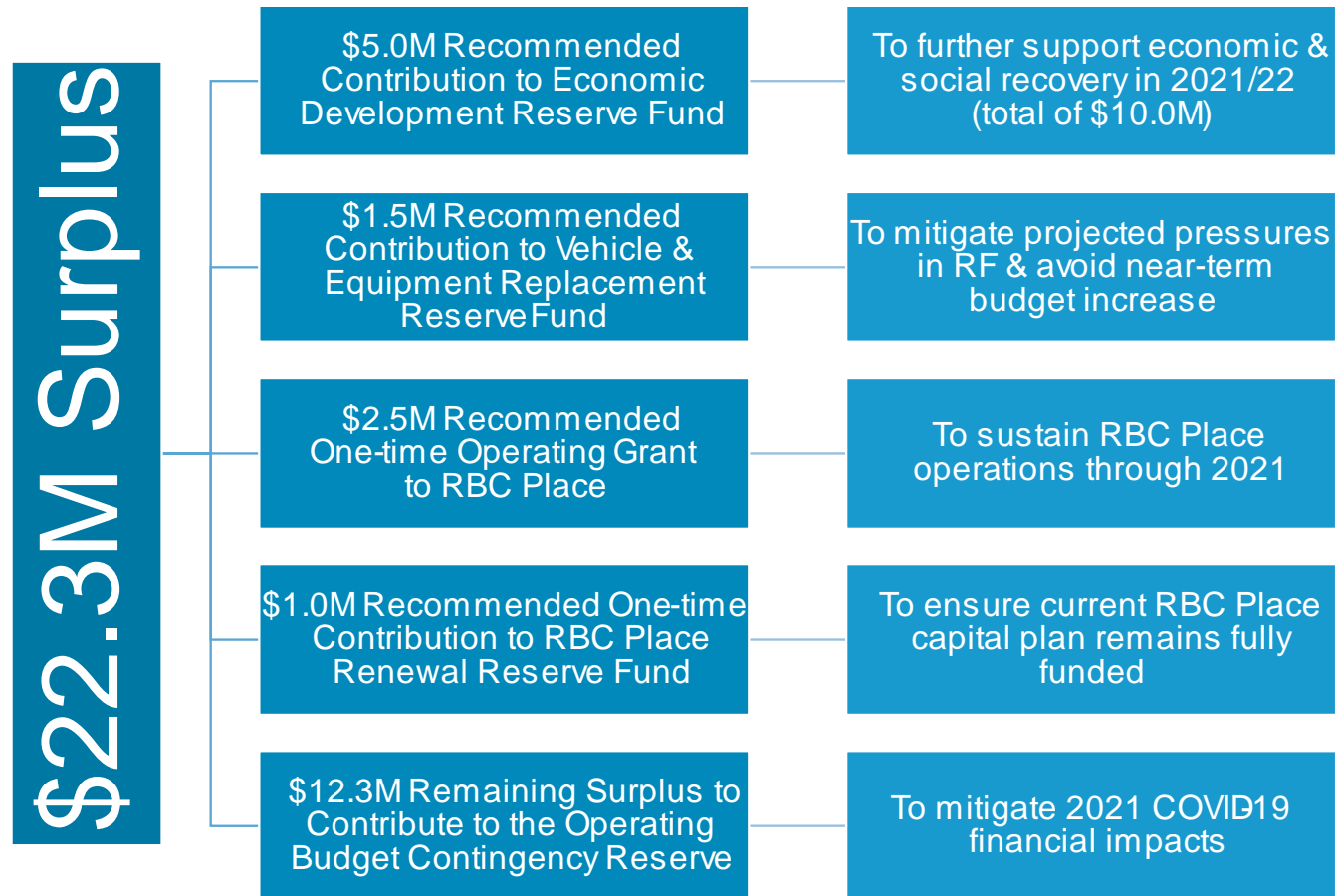
Civic Service Areas: (\$6.9M)

Boards & Commissions: (\$15.1M)

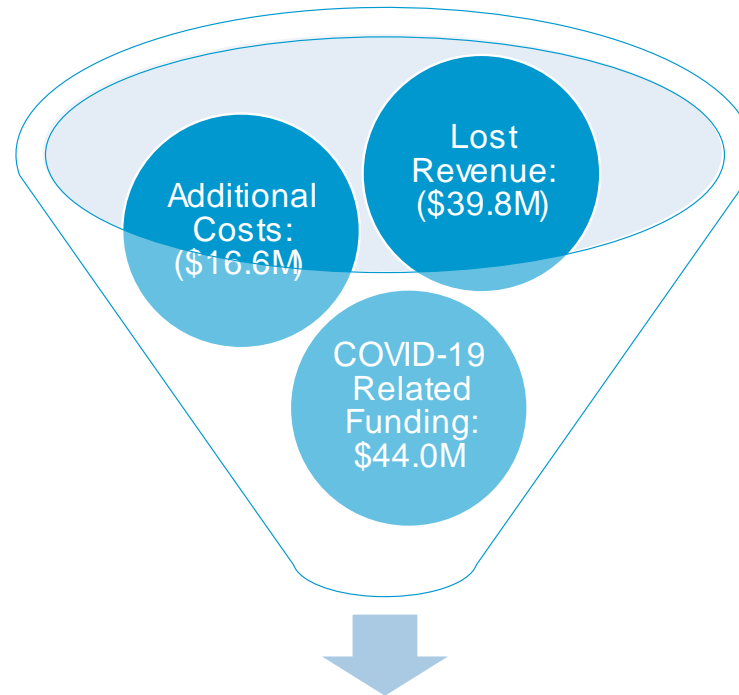
Pulling Together the 2020 Surplus/Deficit



Allocation of 2020 Surplus/Deficit



Preliminary Projected 2021 COVID -19 Financial Impacts



Projected 2021 Net COVID-19 Impacts: (\$12.4M)

2021 Forecasted Residual COVID-19 Impacts

