

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON SEPTEMBER 22, 2020
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	2020 MID-YEAR OPERATING BUDGET MONITORING REPORT & COVID-19 FINANCIAL IMPACTS

RECOMMENDATIONS

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

- a) The 2020 Operating Budget Mid-Year Monitoring Projections for the Property Tax Supported Budget, Water, and Wastewater & Treatment Budgets (refer to **Appendix A**) **BE RECEIVED** for information. An overview of the net corporate projections are outlined below, noting that the year-end positions could fluctuate based on factors beyond the control of Civic Administration:
 - i) After applying the Safe Restart Agreement funding, Property Tax Supported Budget projected surplus of \$15.3 million prior to the recommendations in this report, noting a balanced budget position should all recommendations be approved.
 - ii) Water Rate Supported Budget projected surplus of \$0.8 million prior to the recommended contribution to the applicable Contingency Reserve, noting a balanced budget position should the recommendation be endorsed.
 - iii) After applying the Safe Restart Agreement funding, Wastewater & Treatment Rate Supported Budget projected surplus of \$0.1 million prior to the recommended contribution to the applicable Contingency Reserve, noting a balanced budget position should the recommendation be endorsed.
- b) The overview of Federal-Provincial Safe Restart Agreement funding allocated to the City of London to support COVID-19 operating costs and pressures **BE RECEIVED** for information.
- c) Notwithstanding the Council approved Surplus/Deficit Policy, Civic Administration **BE AUTHORIZED** to allocate the year-end Property Tax Supported Budget surplus as follows:
 - i) \$5 million to the Economic Development Reserve Fund to support social & economic recovery measures.
 - ii) The balance to the Operating Budget Contingency Reserve as a funding source to offset anticipated financial impacts of COVID-19 on the City's 2021 Budget.
- d) The contribution of any year-end Water and Wastewater & Treatment Rate Supported Budget surplus to the applicable Contingency Reserve **BE ENDORSED** as a funding source to offset the potential financial impacts of COVID-19 on the City's 2021 Budget, it being noted that the balances in these Contingency Reserves remain below target.
- e) The following actions related to Capital Projects and Additional Investments **BE APPROVED**:
 - i) Previously deferred 2020 Capital Projects identified in this report totalling \$1.1 million be reinstated, noting this will reduce the projected Property Tax surplus noted above by \$1.1 million.
 - ii) Previously deferred 2020 Additional Investments identified in this report totalling \$1.2 million be reinstated, noting this will reduce the projected Property Tax surplus noted above by \$1.2 million.
 - iii) Civic Administration be authorized to take the necessary actions to adjust the 2020 capital budgets and associated funding sources referenced in part (i) and (ii).
 - iv) Civic Administration be authorized to contribute any 2020 surplus from the reinstated portion of the 60% Waste Diversion Action Plan to the Operating Budget Contingency Reserve as a funding source for future implementation costs.
 - v) Civic Administration be authorized to contribute \$0.1 million to the Operating Budget Contingency Reserve to support Green City Strategy Initiatives from the Climate Emergency Action Plan, noting this will reduce the projected Property Tax surplus noted above by \$0.1 million.

- f) Civic Administration **BE AUTHORIZED** to take all necessary actions to further extend the deferral of all Community Improvement Plan loan repayments on an interest-free basis for the remainder of 2020, it being noted that repayments will resume in January 2021.
- g) A grant to support RBC Place London operations for the remainder of 2020 in the amount of \$1.6 million **BE APPROVED**, it being noted this will reduce the projected Property Tax surplus by \$1.6 million noted above.
- h) The summary of anticipated COVID-19 impacts on the 2021 Budget **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

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>

LINK TO 2019-2023 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.

BACKGROUND

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.

This year, the novel coronavirus (COVID-19) has caused an unprecedented interruption to the daily activities of individuals, businesses and institutions around the world. Efforts have been made to successfully "flatten the curve" in London to prevent the spread of the virus. The number of cases both locally and across the Province continues to be holding at a relatively low number. However, as a result of this pandemic, the City of London, along with municipalities across the country and around the world, has experienced significant financial consequences, and there remains considerable uncertainty in 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 \$23 million to \$33 million through June and through August, respectively. Since the April 28th report, Civic Administration implemented various measures to mitigate the financial impacts of COVID-19; accordingly, the updated estimated financial impacts of the pandemic were projected at \$17 million through June and \$22 million through August as outlined in the June 23rd report to SPPC titled *COVID-19 Financial Impacts – UPDATE*. This report also outlined the measures taken to mitigate the adverse financial impacts the City was facing.

Since the most recent update to SPPC on June 23rd, additional developments have occurred, most notably the announcement of federal-provincial funding for municipalities under the Safe Restart Agreement. Civic Administration has also completed full-year projections based on current expenditure and revenue forecasts through December.

The purpose of this report is to:

- Provide an overview of federal-provincial funding available as part of the Safe Restart Agreement (SRF).
- Provide the projected operating year-end positions for the Property Tax Supported Budget, Water, and Wastewater & Treatment Budgets through December, noting that the April and June reports to SPPC provided projected financial impacts of COVID-19 through June and August.
- Obtain Council's approval for the recommended allocation of any 2020 year-end surplus.
- Provide a summary of the COVID-19 factors projected to impact the 2021 Budget.
- Provide a summary of other emerging issues that may impact the 2020-2023 Multi-Year Budget.
- Obtain Council's approval to reinstate a portion of Capital Projects and Additional Investments previously deferred.
- Recommend approval of a grant to RBC Place London in light of the significant financial impacts caused by COVID-19 in order to sustain their operations for the remainder of 2020.
- Obtain approval for the continued deferral of Community Improvement Plan loan repayments for the remainder of 2020.

SAFE RESTART AGREEMENT FUNDING

After extensive negotiations with the Government of Canada and tireless advocacy by municipalities, transit system operators, municipal associations and many others, 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. This funding will be provided in two phases: 50% will be allocated in Phase I for all municipalities and 50% will be allocated in Phase II for municipalities that require additional funding.

Phase I Funding: Operating and Municipal Transit

The City of London's share of Phase I funding is \$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. At the time of writing this report, specifics on the use of the funding are still to be received from the province, but it is anticipated that restrictions on the use of the funding (provided that it is used to offset COVID-19 related pressures) will be limited. The City will be required to report back to the province by October 30, 2020 with details on the use of the Phase I funds and a forecast of eligible expenditures to March 31, 2021.

Phase II Funding: Operating and Municipal Transit

In order to qualify for Phase II funding, municipalities will be required to submit reports outlining their COVID-19 operating costs and pressures in a template to be provided by the province. The reports will be due by October 30, 2020. Phase II funding will be available to municipalities and transit systems that demonstrate the need for additional funding with COVID-19 pressures in excess of the Phase I allocation. It is also anticipated that additional restrictions will be included in any request for Phase II funding. Further information on accessing Phase II funding will be provided in Fall 2020.

Other SRF Funding: Social Services Relief Fund & Support for Child Care Sector

In addition to the funding allocations mentioned above, additional funding has been made available as part of the SRF for the Social Services Relief Fund (SSRF). The City of London's allocation for the 2020-21 year is \$6.3 million. This funding is in addition to the \$3.5 million initial allocation of SSRF funding for the City of London reported to the Community & Protective Services Committee on April 28, 2020. This funding is available to assist vulnerable people with their housing needs and to help them find long-term housing solutions. In advance of receiving these funds, a business case must be prepared explaining how the allocation will be used, and must be submitted to the Ministry of Municipal Affairs and Housing by September 11, 2020. Municipalities will be notified of the approved SSRF projects by the Ministry once they have completed their review of the submitted business cases.

Furthermore, additional funding support for the child care sector has been announced under the SRF program to support safe re-opening plans. Consolidated Municipal Service Managers (CMSMs) will be 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. The City of London, as CMSM for London and Middlesex County, will be receiving a funding allocation of \$5.3 million to be spent by December 31, 2020, and will be required to report back to the Ministry of Education regarding the use of this funding through normal reporting channels.

FORECASTED 2020 BUDGET RESULTS

2020 PROPERTY TAX SUPPORTED OPERATING BUDGET MONITORING

As outlined in the June 23rd *COVID-19 Financial Impacts Update* report, Civic Administration was projecting significant COVID-19 financial impacts through August in the amount of \$16.1 million for the Property Tax Supported Budget. However, due to a number of measures that have been implemented to mitigate the financial impact of the pandemic (as outlined in the June 23rd report), and the SRF allocations available to provide relief to the COVID-19 related operating pressures, the projected year-end surplus is \$15.3 million before allocations or reinstatement of prior decisions recommended to Council as part of this report. Although COVID-19 impacts total \$68.4 million which is still in excess of the COVID-19 related grant funding, service level decisions and other operational cost savings factors are anticipated to mitigate the pressures experienced to the end of the year. Table 1 below provides a detailed breakdown of the projected year-end surplus.

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

Category	Lost Revenues due to COVID-19	Additional Costs due to COVID-19	Total Projected Financial Impacts due to COVID-19	COVID-19 Related Grant Funding ¹	All Other Factors	Projected Surplus/(Deficit) ⁴
Property Tax Supported Civic Service Areas Budgets	(\$25.4)	(\$20.5)	(\$45.9)	\$36.1 ²	\$25.0	\$15.2
Boards & Commissions Budgets	(\$19.2)	(\$3.3)	(\$22.5)	\$18.9 ³	\$3.7	\$0.1
Total Civic Areas and Boards & Commissions	(\$44.6)	(\$23.8)	(\$68.4)	\$55.0	\$28.7	\$15.3
Reinstatement of Previously Deferred Capital Projects – recommendation e) i)						(\$1.1)
Reinstatement of Previously Deferred Additional Investment Business Cases – recommendation e) ii) & v)						(\$1.3)
Grant to RBC Place London – recommendation g)						(\$1.6)
Recommended for contribution to the Economic Development Reserve Fund for economic & social recovery efforts						(\$5.0)
Recommended for contribution to the Operating Budget Contingency Reserve for projected 2021 budget impacts (Table 2)						(\$6.3)
Total Civic Areas and Boards & Commissions Projected Surplus/(Deficit)						\$-

All figures are subject to rounding.

Note 1: Figures include funding streams that have been received, funding streams announced and funding streams currently accepting applications. For allocations announced, 2020 level of funding utilization/applicability will be determined upon receipt of further detailed information on eligibility and reporting templates from the Province. For allocations being applied for, 2020 figures represent amounts earmarked for the City of London but subject to the Province's decisions on actual allocations.

Note 2: Includes Safe Restart Agreement funding of \$16.3 million (municipal operating), \$9.7 million Social Services Relief Funding, \$5.3 million SRF funding for Child Care, and other funding received to mitigate

pressures in Dearness Home in the amount of \$1.6 million, \$2.8 million for Homeless Prevention and \$0.4 million for Neighbourhood & Recreation Services.

Note 3: Includes Safe Restart Agreement funding (municipal transit) of \$18.5 million, and an additional \$0.4 million received for municipal transit cleaning grant, noting that London Transit Commission is awaiting further detailed information on eligibility and reporting templates from the Province. Any funding that is not utilized in 2020 will be carried over to 2021. Surplus funds from the Safe Restart Agreement related to municipal transit are required to be placed into a reserve and utilized by March 31, 2021.

Note 4: It is imperative to note that there is inherent uncertainty in the estimates provided through December as it is unknown how the pandemic will impact the remainder of the year. The projected year-end surplus is solely an estimate based on the information that is currently available with respect to COVID-19, and does not take into account the impacts of a potential second wave or other developments as it relates to the pandemic.

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

- Projected lost revenues of \$44.6 million (compared to \$39.3 million through August). 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 \$23.8 million (compared to \$11.3 million through August), primarily driven by additional costs to provide temporary housing arrangements, costs to support safe re-opening plans, enhanced cleaning and additional personal protective equipment.
- Offset by other grant funding of \$55.0 million primarily driven by the Safe Restart Agreement funding (details outlined in the section above).
- Also offset by other factors of \$28.7 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, adjustments to capital budget funding sources, and the deferral of 2020 additional investments approved during the 2020-2023 Multi-Year Budget.
- Contributions recommended to support economic and social recovery as well as help offset projected 2021 budget impacts.

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

Surplus/Deficit Policy – Property Tax Supported Budget

The Council approved Surplus/Deficit Policy provides for the allocation of reported surplus for the Property Tax Supported Budget as follows:

- a) 50% to reduce authorized debt;
- b) 25% to the Community Investment Reserve Fund to be allocated at the discretion of Council; and
- c) 25% to the Capital Infrastructure Gap Reserve Fund to mitigate growth in the infrastructure gap.

Notwithstanding the Council approved Surplus/Deficit Policy, Civic Administration recommends that \$5 million of the projected year-end surplus be contributed to the Economic Development Reserve Fund to support social and economic recovery measures, including potential recommendations originating from the London Community Recovery Network (LCRN). The balance is recommended to be contributed to the Operating Budget Contingency Reserve as a funding source to offset anticipated financial impacts of COVID-19 on the City's 2021 Budget (see further details in the following section).

COVID-19 FACTORS IMPACTING 2021 BUDGET

Several services have identified areas of significant uncertainty as they relate to the potential impact of COVID-19 on the City's 2021 Budget (Table 2). This table contains estimated financial impacts to the City of London in terms of potential lost revenues and additional costs for the 2021 Property Tax Supported Budget. The table does not include all of the areas with financial impact, however is meant to highlight some of the more significant areas that are likely to experience financial impacts, regardless of the emergence of a second wave of the virus. Even larger budgetary impacts are anticipated should a second wave occur in 2021. This illustrates the importance of planning now to ensure funds are in place to mitigate these anticipated challenges. Civic Administration is continuing to actively monitor factors potentially impacting the 2021 Budget which are still anticipated to be significant, including items not listed below.

Table 2 – Summary of Factors Anticipated to Affect 2021 Budget (\$millions)

Service Grouping	Financial Impact	Comments
London Transit Commission	(\$11.3)	As reported to the Commission on August 26 th , LTC is reporting a forecasted shortfall in 2021 of \$11.3 million due primarily to lower than normal ridership and related revenue. The forecasts include ridership at 75% of pre-COVID levels, increasing to 90% by year-end. The 2021 budget includes growth in service and LTC will be working on an Assessment Growth business case that reflects the full year growth of 18,000 conventional service hours and 6,000 hours of specialized service. LTC administration will report back to the Commission in March 2021 to identify how they plan to address the expected shortfall.
Corporate Financing: Ontario Lottery & Gaming Revenues	(\$4.6)	There is great uncertainty with Ontario Lottery and Gaming revenues as it is unknown when gaming will re-open. With the uncertainty of another wave of COVID-19, it is unknown to what extent revenue will be impacted in 2021, noting that this amount represents the high end of the potential exposure.
Corporate Financing: Investment Income	(\$2.5)	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.
RBC Place London	(\$1.4)	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, with limited events in the first half of 2021, but slowly ramping up over the course of 2021. The estimated financial impact reflects RBC Place London's projected 2021 budget shortfall should events not occur until May 2021.
Centennial Hall	(\$0.3)	As with RBC Place London, Centennial Hall's revenues have been significantly impacted by the inability to hold large events and gatherings. In the case that large events do not occur in the first half of 2021, a financial impact consistent with what was experienced in the first half of 2020 could reasonably be expected.
Neighbourhood and Recreation Services: User Fee Revenues	TBD	User fee revenues were significantly impacted during the year due to closure of community centres, recreation facilities and cancellation of sports and recreation events and programming. Participation rates may be slow to recover as physical distancing restrictions ease. Revenues are likely to be negatively impacted further into 2021 if there is a second wave of COVID-19.
Development Related Revenues	TBD	Development related fees have been interrupted due to the pandemic and associated shift to minimal operations. It is currently unknown how recent events related to COVID-19 may influence residential and non-residential building activity over the remainder of 2020 and beyond.

The 2021 preliminary estimates above amount to \$20.1M; however, this is not an exhaustive list as other areas may emerge with impacts into 2021 and given the uncertainty at this time, other impacts are still to be determined or may vary from current estimates.

OTHER 2020-2023 EMERGING ISSUES – PROPERTY TAX SUPPORTED BUDGET

Several services have identified other potential service delivery pressures that may impact expenditures/revenues in 2020-2023 (Table 3). 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. As noted above, should a second wave of COVID-19 occur in 2021, significant budgetary impacts could be anticipated beyond those outlined in this report. 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 2020-2023 period is predicted to be greater than 60%
- Medium – the likelihood of the issue occurring over the 2020-2023 period is predicted to be between 30% and 60%
- Low – the likelihood of the issue occurring over the 2020-2023 period is predicted to be less than 30%

Table 3 – Summary of Potential Future Budget Impacts

Category / Emerging Issue	Likelihood Of Emerging Issue Impacting 2020-2023 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 part of Phase 1 of the federal-provincial Safe Restart Agreement, as outlined in the section above, the City of London received an allocation of \$40.5 million for COVID-19 related municipal operating and transit costs and pressures. However, some municipalities have experienced greater financial impacts arising from COVID-19 than others. As a result, a second phase of funding will be offered to those municipalities that can demonstrate that COVID-19 operating costs and pressures exceed their Phase 1 allocation. Furthermore, other one-time funding has been received in 2020 for COVID-19 financial impacts which is not expected to continue beyond this year; there will be a need to find alternative funding sources should these costs continue.</p> <p>What we are doing to mitigate/address the issue: <i>To be considered for Phase 2 funding, municipalities will be required to submit reports outlining their COVID-19 operating cost pressures in a template to be provided by the province. These reports will be due by October 30, 2020. Although the City has not yet received the reporting template, Civic Administration is continuously monitoring projected financial impacts from COVID-19 and will undertake the necessary steps to apply for Phase 2 funding if eligible.</i></p>	High
COST DRIVER	
<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 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 2020 and possibly future years as well.</p> <p>What we are doing to mitigate/address the issue: <i>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</i></p>	High

Category / Emerging Issue	Likelihood Of Emerging Issue Impacting 2020-2023 Budget
<i>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).</i>	
<p>2. 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>	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-Kawartha. 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. 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. 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.</p>	High

2020 WATER RATE SUPPORTED OPERATING BUDGET MONITORING

The 2020 projected year-end surplus for the Water Rate Supported Budget is \$0.8 million prior to the recommendation to allocate funding to help offset projected 2021 budget impacts, noting that this will be reduced to a balanced position (Table 4).

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

Category	Lost Revenues due to COVID-19	Additional Costs due to COVID-19	Total Projected Financial Impacts due to COVID-19	COVID-19 Related Grant Funding	All Other Factors	Projected Surplus/ (Deficit)
Water	(\$0.6)	\$0.0	(\$0.6)	\$0.0	\$1.4	\$0.8
Recommended for contribution to the Water Budget Contingency Reserve for projected 2021 budget impacts – recommendation d)						(\$0.8)
Total Water Projected Surplus/(Deficit)						\$-

The projected balanced position is driven by the following:

- Savings driven by various operational cost savings as a result of initiatives and actions undertaken to mitigate and offset negative financial impacts due to the COVID-19 pandemic.
- These savings are partially offset by a deficit in consumption based revenues due to the shutdown of non-essential services, noting that water consumption has recently rebounded to near normal levels.
- Recommendations to allocate funding to offset 2021 budget impacts.

Surplus/Deficit Policy – Water Rate Supported Budget

The Council approved Surplus/Deficit Policy provides for the allocation of reported surplus for the Water Rate Supported Budget as follows:

- a) 50% to reduce authorized debt (if the surplus allocation exceeds the authorized debt amount, the remaining surplus will be added to item b); and
- b) 50% to the Waterworks Reserve Fund to support capital asset renewal/replacement and mitigate growth in the infrastructure gap.

If recommendation d) to allocate the year-end surplus, currently projected at \$0.8 million, to the Water Budget Contingency Reserve as a funding source to offset the financial impacts of COVID-19 on the City’s 2021 Budget is approved, the Water Rate Supported Budget will be balanced at year-end, and no surplus allocation would be required.

**2020 WASTEWATER & TREATMENT
RATE SUPPORTED OPERATING BUDGET MONITORING**

The 2020 projected year-end surplus for the Wastewater & Treatment Rate Supported Budget is \$0.1 million prior to the recommendation to allocate funding to help offset projected 2021 budget impacts, noting that this will be reduced to a balanced position (Table 5).

Table 5 - 2020 Projected Year-End Position (\$millions)

Category	Lost Revenues due to COVID-19	Additional Costs due to COVID-19	Total Projected Financial Impacts due to COVID-19	COVID-19 Related Grant Funding	All Other Factors	Projected Surplus/(Deficit)
Wastewater & Treatment	(\$2.8)	\$0.0	(\$2.8)	\$2.8	\$0.1	\$0.1
Recommended for contribution to the Wastewater & Treatment Budget Contingency Reserve for projected 2021 budget impacts – recommendation d)						(\$0.1)
Total Wastewater & Treatment Projected Surplus/(Deficit)						\$-

The projected balanced position is driven by the following:

- Lost revenues 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. This rate increase was delayed in order to avoid adding further pressure to those in the community experiencing financial challenges.
- Savings driven by various operational cost savings as a result of initiatives and actions undertaken to mitigate and offset negative financial impacts due to the COVID-19 pandemic.
- Civic Administration intends to utilize a portion of the SRF to offset the \$2.8 million deficit in lost revenues due to COVID-19, resulting in a projected year-end surplus of \$0.1 million.
- Recommendations to allocate funding to offset 2021 budget impacts.

Surplus/Deficit Policy – Wastewater & Treatment Rate Supported Budget

The Council approved Surplus/Deficit Policy provides for the allocation of reported surplus for the Wastewater & Treatment Rate Supported Budget as follows:

- a) 50% to reduce authorized debt (if the surplus allocation exceeds the authorized debt amount, the remaining surplus will be added to item b); and
- b) 50% to the Sewage Works Reserve Fund to support capital asset renewal/replacement and mitigate growth in the infrastructure gap.

If recommendation d) to allocate the year-end surplus, currently projected at \$0.1 million, to the Wastewater Budget Contingency Reserve as a funding source to offset the financial impacts of COVID-19 on the City's 2021 Budget is approved, the Wastewater & Treatment Rate Supported Budget will be balanced at year-end, and no surplus allocation would be required.

OTHER MID-YEAR MONITORING INFORMATION

CASH FLOW IMPACTS

Civic Administration continues to actively monitor 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.

It is anticipated that the City will receive the proceeds of the Safe Restart Agreement funding in September 2020. This funding will provide a valuable cash infusion to continue to sustain the Corporation's liquidity.

REVIEW OF 2020 CAPITAL PROJECTS & ADDITIONAL INVESTMENTS

As part of the June 23rd Report to SPPC titled "COVID-19 Financial Impacts Update" and the July 14th report to SPPC titled "Core Area Action Plan – 2020 Progress Update" the following items were approved by Council:

- 2020 Capital Projects totalling \$3,539,000 were deferred;
- 2020 Additional Investments approved during the 2020-2023 Multi-Year Budget totalling \$1,345,000 were deferred;
- A modified operating budget was approved for 2020 components of the Core Area Action Plan business case resulting in reduced spending of \$875,000

These items were approved in light of the budget pressures due to COVID-19 and the uncertainty surrounding Federal/Provincial support. With the recent announcements of financial support for the City of London as part of the Safe Restart Agreement, Civic Administration is recommending that Capital Projects previously deferred totalling \$1,120,000 (Table 6) and Additional Investments previously deferred totalling \$1,170,000 listed below (Table 7) be reinstated for 2020. The recommended reinstatement amounts for capital projects and additional investments are less than what was initially deferred but were based on a review by Civic Administration considering timing issues (more than half the fiscal year has elapsed) and resource constraints impacting the ability to complete the planned projects. If approved, it should be noted that these reinstatements will reduce the projected year-end surplus accordingly.

Table 6 – 2020 Capital Projects Recommended for Reinstatement:

Ref	Capital Project	Budget	Amount Previously Deferred	Amount to be Reinstated	Impact of Reinstatement
1	PK102320 MAINTAIN DISTRICT PARKS: Thames Park Jesse Davidson Foxfield	\$250,000 \$50,000 \$250,000	\$250,000 \$50,000 \$250,000	\$250,000 \$50,000 \$250,000	This will allow for final design and tenders to go forward in the fall of this year. Improvements to amenities in these locations to move forward as planned.
2	PK217320 MAINTAIN SPORTSPARK: Maintain Sport Park Amenities	\$150,000	\$150,000	\$150,000	This will allow for final design and tenders to go forward in the fall of this year. Improvements to amenities in various sport park locations to move forward as planned.
3	UF112920 DOWNTOWN STREET TREE PLANTING	\$225,000	\$225,000	\$225,000	These funds were intended to be used for the downtown Richmond Street Reconstruction. Reinstatement of the funds will allow funding to be committed in 2020 with the project that is under construction.

Ref	Capital Project	Budget	Amount Previously Deferred	Amount to be Reinstated	Impact of Reinstatement
4	CS618620 CENTENNIAL HALL UPGRADES Repl. Electric. Components New Condition Studies	\$40,000 \$20,000	\$40,000 \$20,000	\$40,000 \$20,000	Work to continue on upgrades given age of facility and need for ongoing maintenance.
5	SH2755 ONTARIO WORKS CAPITAL	\$90,000	\$85,000	\$85,000	Spending on lifecycle renewal across Ontario Works offices to continue.
6	GG154820 NORMAL SCHOOL MAINTENANCE	\$50,000	\$50,000	\$50,000	Maintenance work to continue, noting that this reinstatement will result in a decreased projected balance within the City Facilities Reserve Fund.
	TOTAL:		\$1,120,000	\$1,120,000	

Table 7 – 2020 Additional Investments Recommended for Reinstatement:

Ref	Additional Investment Business Case	Budget	Amount Previously Deferred	Amount to be Reinstated	Impact of Reinstatement
1	60% Waste Diversion Action Plan	\$700,000	\$275,000	\$275,000	Reduced spending on 60% Waste Diversion Action Plan has delayed the implementation by 6 months to 12 months and possibly up to 18 months for some items. By reinstating this funding, most delays should be reduced to less than one year with a few exceptions. Reinstated amounts unspent at year-end are recommended to be contributed to reserves as a funding source for future implementation costs.
2	City of London Infrastructure Gap – Part B	\$750,000	\$750,000	\$750,000	The City of London can continue to move forward with reducing the infrastructure gap. This amount will allow for a reduction of approximately 0.4% as was originally planned.
3	Climate Emergency Declaration - Implement Green City Strategy Initiatives	\$90,000	\$90,000	\$90,000	Project and program delays have occurred in the development of Climate Emergency Action Plan (primarily internal and community engagement) and with a number of Transportation Demand Management (TDM) projects (e.g., bike parking, Transportation Management Association). By reinstating this funding, CEAP engagement activities in 2020 and 2021 will be strengthened. Most delays in TDM should be reduced to

Ref	Additional Investment Business Case	Budget	Amount Previously Deferred	Amount to be Reinstated	Impact of Reinstatement
					less than six months with a few exceptions. An additional \$110,000 is also recommended to advance these initiatives.
4	Community Improvement Plan (CIP) - Building Projects	\$30,000	\$30,000	\$30,000	The City can move forward with contributing to small-scale projects in CIP areas in 2020, noting the important recovery role these projects may have.
5	Core Area Action Plan Initiative #43: Experiment with temporary free municipal parking	\$150,000	\$25,000	\$25,000	Periods of 2-hour free parking in on-street parking space and municipal parking lots will continue in the Core Area.
	TOTAL:		\$1,170,000	\$1,170,000	

2020 ASSESSMENT GROWTH FUNDING ALLOCATION #2

Available assessment growth funding from new homes and businesses for 2020 was approximately \$13.2 million, including carry-over from prior years. Of this amount, Civic Administration allocated approximately \$6.9 million in June, representing about half of the available assessment growth funding.

As noted in the accompanying report on the September 22nd SPPC agenda (“2020 Assessment Growth Funding Allocation #2”), with the recent announcements of financial support for the City of London as part of the Federal-Provincial Safe Restart Agreement, Civic Administration is moving forward to allocate the remainder of 2020 Assessment Growth that was held back as a precautionary measure in the event that Federal/Provincial support was not available.

Allocating the remaining assessment growth funding allows the City to continue to deliver the core services that residents rely on and keep up with the growing demand for services. The financial projections included in this report are inclusive of the impacts of Assessment Growth allocations.

COMMUNITY IMPROVEMENT PLAN LOAN REPAYMENTS

At its meeting on March 24th, Council approved the deferral of all Community Improvement Plan (CIP) loan repayments on an interest-free basis as part of a series of immediate measures intended to provide support to the community. This deferral was extended through August 2020 as part of the “COVID-19 Financial Impacts – Update” report that was discussed at SPPC on June 23rd.

Civic Administration has been advised that certain borrowers with outstanding CIP loans continue to experience financial challenges due to the significant disruption to their businesses caused by the pandemic. As a result, Civic Administration recommends that the deferral of CIP loan repayments be continued for the remainder of 2020, noting that repayments will resume in January 2021.

RBC PLACE LONDON FUNDING REQUEST

As reported in previous reports to SPPC regarding COVID-19 financial impacts (April 28th and June 23rd respectively), the pandemic has had a significant adverse impact on RBC Place London. This impact continues to be felt. According to information provided by RBC Place London, revenue for the months of April to August 2020 was 95% below budget, with total revenue for 2020 forecasted to be 75% below budget.

In response, RBC Place London administration has indicated that they have implemented a variety of measures:

- 90% of the RBC Place London team have been laid off;
- Remaining team members have accepted a 15%-25% wage reduction;
- Variable costs were eliminated due to the lack of events being held;
- All discretionary spending was cancelled;
- Repairs and maintenance have been deferred where not urgent;
- Service contracts were placed on hold as appropriate;
- Building systems were shut down as appropriate to reduce energy consumption;

- Capital plans, with the exception of previously committed contracts, were placed on hold pending further full review of the 10 year capital plan;
- Delayed payments to the City of London for annual insurance premiums and technology support have been allowed;
- Approved 2020 capital funding provided by the City of London in the amount of \$648,000 was re-directed to cover operational needs, resulting in no contribution to the capital reserve fund in 2020;
- Fully utilized the funding from the operational reserve (\$500,000) and special projects reserve (\$200,000) to manage cash flow requirements.

In support of RBC Place London’s challenges, through the June 23rd COVID-19 Financial Impact – Update report, Council approved a one-year deferral of RBC Place London’s annual loan repayment to the City of London in the amount of \$222,000.

The efforts undertaken to maintain the viability of RBC Place London have completely eliminated the organization’s financial capacity and future flexibility. Focus has shifted to planning for 2021, and RBC Place London is already experiencing event postponements or cancellations for the first half of 2021. With this in mind, RBC Place London is currently anticipating very limited events and conferences for the first six months of 2021.

As a result of the extraordinary financial challenges being faced, RBC Place London is requesting funding support to sustain their operations. An operating deficit of \$1.4 million is anticipated in 2020 with an additional projected deficit in 2021. Civic Administration has reviewed the request and RBC Place London’s current financial situation and recommends a one-time allocation of \$1.6 million be provided to RBC Place London (comprised of \$1.0 million of operational funding and \$600,000 to replace 2020 capital funding re-allocated to support operations), subject to the completion of an external financial sustainability review to be completed before the end of 2020. The aim of this review is to identify potential opportunities to best position RBC Place London for future success once the impacts of COVID-19 subside. The RBC Place London Board of Directors supports and welcomes this recommendation.

Civic Administration believes it is prudent to provide interim funding while the review is being completed. It should be noted that this grant is only anticipated to sustain RBC Place London operations through the remainder of 2020, and will reduce the projected surplus outlined in this report. Pending completion of the financial sustainability review and further clarity on the ability to hold events in 2021, Civic Administration anticipates an additional funding request will be necessary to offset COVID-19 pressures that persist into 2021.

OTHER COVID-19 PROJECTED FINANCIAL IMPACTS

Table 8 below shows the updated projected financial impacts for Municipal Accommodation Tax (MAT) revenues and reserve fund investment income through to the end of December. Lost revenue in these areas will not have a direct impact on the surplus/deficit position for the City’s 2020 operating budget, however the loss of projected revenues will have an impact on the City’s Reserve Fund levels and could have an impact on future year budgets.

Table 8 – Other Projected Financial Impacts (\$millions)

Category	Lost Revenues due to COVID-19
Municipal Accommodation Tax Revenues	(\$2.8)
Reserve Funds Investment Income	(\$2.5)
TOTAL:	(\$5.3)

- Lost MAT revenue 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 due to the reduction of interest rates by 150 basis points (1.5%) by the Bank of Canada.

2020 OPERATING BUDGET MID-YEAR MONITORING SUMMARY

Civic Administration is projecting a net balanced position for the 2020 Property Tax Supported Budget in the event all the recommendations as part of this report are approved to reinstate previous deferrals and allocate funding to support economic and social recovery as well as help offset projected 2021 budget impacts.

The main drivers contributing to this position are the various measures implemented to mitigate the financial impact of the pandemic and the SRF allocation that has become available to support municipal and transit operating costs and pressures related to COVID-19.

The Water Rate Supported Budget is projecting a net balanced position should the recommended allocation to help offset projected 2021 impacts be approved. The Wastewater & Treatment Rate Supported Budget is projecting a net balanced position should the recommended allocation to help offset projected 2021 impacts be approved.

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 Jason Davies – Manager, Financial Planning & Policy
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APPENDIX A – 2020 MID-YEAR FINANCIAL SUMMARY (\$millions)

Category	Lost Revenues due to COVID-19	Additional Costs due to COVID-19	COVID-19 Related Grant Funding	All Other Factors	Projected Surplus/ (Deficit)
Property Tax Supported Budget – Civic Service Areas					
Centennial Hall	(0.5)	-	-	0.4	(0.1)
Arts, Culture & Heritage Advisory & Funding	-	-	-	-	0.0
Heritage	-	-	-	-	0.0
Economic Development	-	-	-	-	0.0
Community Improvement/BIA	-	-	-	0.1	0.1
Environmental Action Programs & Reporting	-	-	-	0.1	0.1
Garbage Recycling & Composting	(0.8)	(0.1)	-	0.4	(0.5)
Neighbourhood & Recreation Services	(11.0)	(5.6)	5.7	10.9	0.0
Parks & Urban Forestry	-	-	-	2.2	2.2
Building Approvals	-	-	-	1.4	1.4
Planning Services	-	-	-	1.0	1.0
Development Services	(0.7)	-	-	1.2	0.5
Animal Services	(0.4)	-	-	0.2	(0.2)
By-law Enforcement	(1.0)	-	-	0.8	(0.2)
Corporate Security & Emergency Management	-	(0.2)	-	0.1	(0.1)
Fire Services	-	(0.2)	-	0.2	0.0
Housing Services	-	-	-	0.1	0.1
Land Ambulance	-	-	-	-	0.0
Long Term Care (Dearness)	(0.1)	(1.3)	1.6	0.2	0.4
Social and Community Support	(0.8)	(12.5)	12.4	5.2	4.3
Parking	(2.1)	-	-	0.6	(1.5)
Roadways	(0.1)	(0.1)	-	4.5	4.3
Corporate Services	-	(0.4)	-	6.3	5.9
Corporate Planning & Corporate Administration	-	-	-	0.7	0.7
Council Services	-	-	-	0.5	0.5
Public Support Services	(2.5)	-	-	1.2	(1.3)
Financial Management	(5.3)	(0.1)	16.3	(13.2)	(2.3)
Total Civic Areas Surplus/(Deficit)	(25.4)	(20.5)	36.1	25.0	15.2

All figures are subject to rounding.

APPENDIX A (continued) – 2020 MID-YEAR FINANCIAL SUMMARY

Category	Lost Revenues due to COVID-19	Additional Costs due to COVID-19	COVID-19 Related Grant Funding	All Other Factors	Projected Surplus/(Deficit)
Property Tax Supported Budget – Boards & Commissions					
Museum London	(0.2)	-	-	0.2	0.0
Eldon House	-	-	-	-	0.0
London Public Library	(0.4)	-	-	0.4	0.0
RBC Place London	(0.6)	-	-	0.6	0.0
Tourism	-	-	-	-	0.0
Covent Garden Market	(0.6)	-	-	0.6	0.0
Conservation Authorities	-	-	-	-	0.0
London Police Services	(1.0)	(0.2)	-	1.2	0.0
Housing Development Corporation	-	-	-	-	0.0
London & Middlesex Community Housing	-	(0.1)	-	0.3	0.2
Middlesex-London Health Unit	-	(1.8)	-	1.7	(0.1)
London Transit Commission	(16.4)	(1.2)	18.9	(1.3) ¹	0.0
Total Boards & Commissions Surplus/(Deficit)	(19.2)	(3.3)	18.9	3.7	0.1
Subtotal Civic Areas and Boards & Commissions Surplus/(Deficit)					
	(44.6)	(23.8)	55.0	28.7	15.3
Total impact of recommendations included in this report					(15.3)
TOTAL Civic Areas and Boards & Commissions Projected Surplus/(Deficit)					-
Water and Wastewater & Treatment					
Water	(0.6)	-	-	1.4	0.8
Wastewater & Treatment	(2.8)	-	2.8	0.1	0.1
Subtotal Water and Wastewater & Treatment Surplus/(Deficit)	(3.4)	0.0	2.8	1.5	0.9
Total impact of recommendations included in this report					(0.9)
TOTAL Water and Wastewater & Treatment Projected Surplus/(Deficit)					-

All figures are subject to rounding.

Note 1: All other factors is net of any COVID-related savings associated with reduced service levels and a contribution to a reserve of any unallocated Safe Restart Funding for use up to March 31, 2021 as required by the program guidelines.

APPENDIX B – MULTI-YEAR BUDGET CYCLE

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

