

# Our Finances

**City Council**

June 24, 2020



# Overview

1. Background (Pre-COVID-19)
2. Current Context (COVID-19)
3. COVID-19 Financial Overview
4. COVID-19 Mitigation Strategies
5. Conclusion and Next Steps

# Background

*Pre-COVID-19*

# Strong Financial Management

**Successive Councils have made fiscal prudence and financial sustainability a priority:**

- **2002:** First Long-Range Financial Planning process
  - *Refreshed each Term of Council*
  - *Latest refresh in 2019*
- **2007:** Fiscal Framework
- **2012:** Strategic Asset Management Plan
- **2017:** State of the Assets Report
- **2018:** Reserve Management Policy
- **Ongoing:** Successful efficiency programs that strengthen front-line service and absorb annual growth, to the degree possible

# Strong Financial Management

## Successful, ongoing efficiency programs

- Continuous improvement and efficiencies have been an important focus of management since amalgamation resulting in savings in excess of \$361 million and a reduction of 1,658 FTEs
- Efficiency savings in the last five years of \$57.3 million
- Ottawa's population has increased by more than 116,000 over the past 10 years
- City assets and service demand has grown proportionately over this same period
- From 2011 to 2018 staff growth was essentially frozen
- Ottawa's population growth is estimated to increase by approximately 410,000 between now and 2046

# Strong Financial Management

## Successful, ongoing efficiency programs

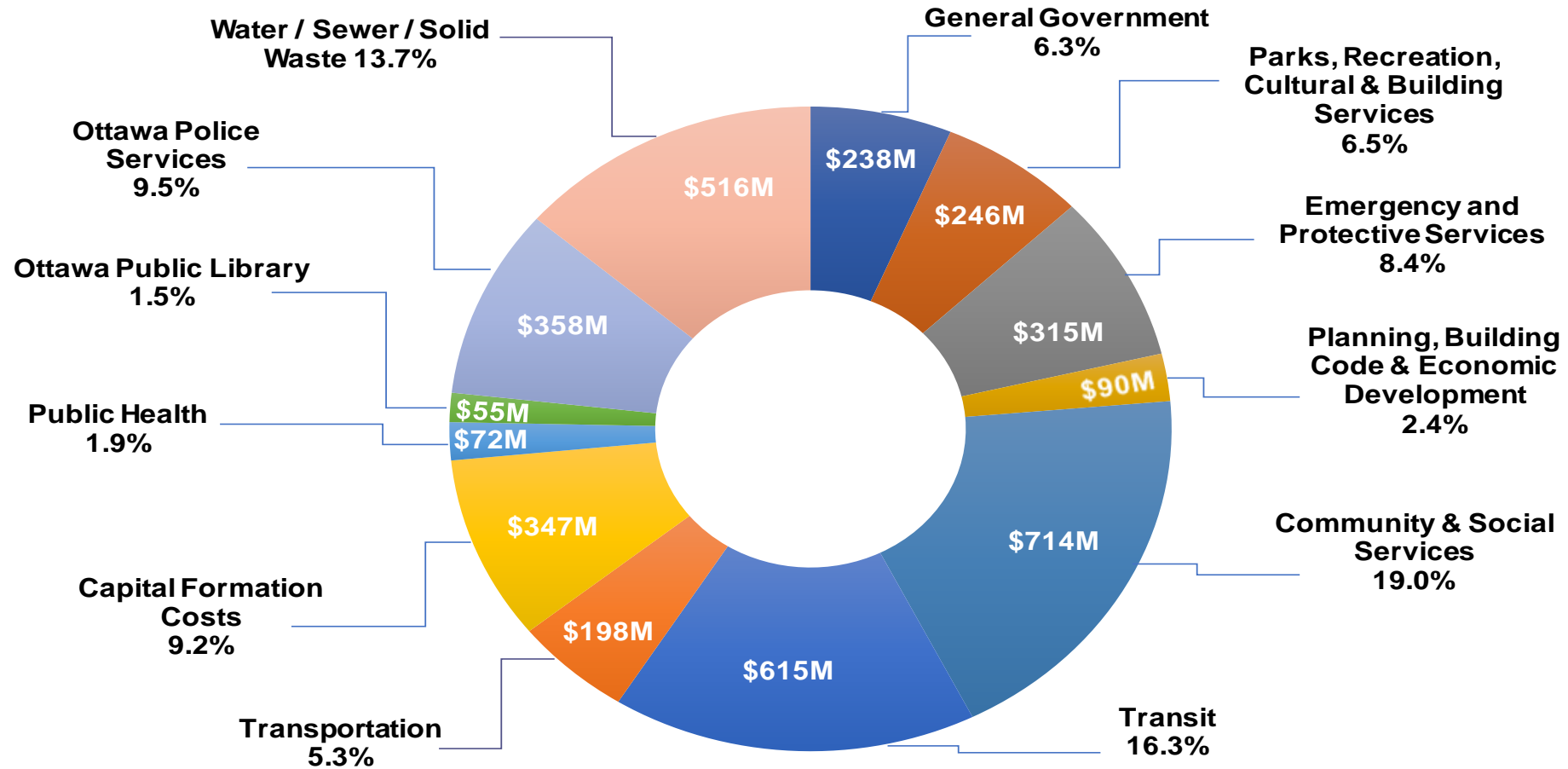
- Staffing adjustments have been made to accommodate Growth-related service demands largely by shifting resources from administration to front-line service delivery in key priority areas including paramedics, long-term care, police and child care
- The City has absorbed growth and maintained services over the past five years through productivity and efficiency improvements

# Strong Financial Management

## Sound financial position prior to COVID-19:

- Healthy balance of reserves (cash and investments)
- Low debts levels and debt serving costs
- Strong City credit rating: Moody's Aaa, Standard & Poor's AA
- Proven financial discipline and planning through successive Long-Range Financial Plans
- Lean organization: City administration costs are 3% of overall budget
- Prudent and balanced approach while continuously improving and investing in our future

# Budget Snapshot





# Current Context

*(COVID-19)*

# COVID-19 Financial Impacts

**2020 Budget significantly impacted by reduced revenues and increased expenses:**

## **Non-controllable revenue reduction drivers:**

- Economic contraction and reduced business activity
- Federal/provincial public health directives to close services with user fees
- Impacts of market losses on investment earnings

## **Controllable revenue reduction drivers:**

- Decisions to stop, reduce or suspend fees for services and user fees (parking, rent abatement)
- Decisions to defer property tax payments due to financial hardship, defer water utility due dates and attributed investment earnings

# COVID-19 Financial Considerations

## City's financial forecast:

- Situation remains fluid, assumptions are likely to change
- COVID-19 will be present in the community for the foreseeable future
- City remains in a state of emergency and continues to take cues from the Province and public health officials
- COVID-19 has highlighted the City's vulnerability due to limited revenue sources
- Uptake or return to various services and its associated revenue impacts our recovery
- Provincial guidelines that set strict protocols we must adhere to (e.g. childcare, summer camps, recreation facility offerings) that directly impact our finances
- Federal and provincial governments have a role as per the Federation of Canadian Municipalities' submissions to support cities in their ability to maintain critical front-line services to facilitate economic recovery

# Stable Cash Flow

## Strong cash position:

- Good cash position as reflected in our strong rating from credit agencies
- \$1.6B in cash and investments at the end of 2019
- \$2.5B in current cash and investments

## Year-end view:

- Enough liquidity to get through 2020 until we have more certainty
- Monitoring cash flow weekly
- Deferral of property tax and water bills have pushed some cash flow out to Q4
- New strategies to assist with cash flow (delayed Municipal Property Assessment Corporation (MPAC) and school board remittances)

# COVID-19 Financial Overview

# COVID-19 Deficit Update

## 2020 Forecast Financial Impact (Deficit)/Surplus

	April Estimate	Revised Estimate Including Phase 1 Recovery	Change Due to Phase 1 Recovery
Revenue	(\$272M)	(\$241M)	\$31M
Government Funding	\$32M	\$37M	\$5M
Additional Costs	(\$58M)	(\$77M)	(\$19M)
Savings	\$112M	\$89M	(\$23M)
<b>Total Deficit</b>	<b>(\$186M)</b>	<b>(\$192M)</b>	<b>(\$6M)*</b>

\*Phase 1 Recovery reduced revenue losses by \$36M, reduced savings by \$23M and increased additional costs by \$19M for a **net deficit increase of \$6M**

# COVID-19 Revenue Impacts - \$241M

- Estimating increase to 30% of budgeted Transit revenue in last quarter of 2020 - (**\$120M**)
- Closure of all parks, recreational and cultural facilities - (**\$53M**)
- 70% reduction in on/off-street parking fees - (**\$12M**)
- 67% reduction in parking fines until September resumption of service - (**\$9M**)
- Red light camera (RLC) revenue down - (**\$7M**)
- Volatile investment markets and investment revenue reduced - (**\$8M**)
- Police Services reduction in revenue (paid duty, RLC, background, etc.) - (**\$9M**)
- Loss of OLG revenue - (**\$5M**)
- Impact of tax deferral - (**\$4M**)
- Reduction in commercial water consumption - (**\$6M**)
- Other (interest, penalties, fee for service, licenses, advertising, etc.) - (**\$8M**)

# COVID-19 Additional Government Funding – \$37M

## Federal Reaching Home Program:

- For distribution to 50 agencies in homelessness sector (2019-2020) - **\$1.65M**
- Under Canada's COVID-19 Economic Response Plan (2020-2021) - **\$4.8M**

## Provincial municipal funding:

- Public Health: \$100M province-wide envelope; estimate for Ottawa based on prior allocations - **TBC**
- Long-Term Care Funding: Emergency funding to prevent and contain the spread of COVID-19 in the City's Long-Term Care Homes - **\$600K**
- Community Homelessness Prevention Program (CHPI): Under the Social Services Relief Fund for households at risk of homelessness due to COVID-19 - **\$13.2M**
- Social Assistance: Increase in caseload due to COVID-19 - **\$11.6M**



# COVID-19 Additional Costs - \$77M

**Additional costs are forecasted as a result of COVID-19:**

- Increased social assistance caseloads - **(\$12M)**
- Long-Term Care increased staff and equipment - **(\$7M)**
- Housing cost increases due to COVID-19 - **(\$15M)**
- Public Health increase in resource requirements - **(\$8M)**
- Police Services increase in resource requirements - **(\$5M)**
- Additional paramedics and equipment supply technicians; temporary staff and equipment - **(\$4M)**
- Increased solid waste multi-res tonnage and cost of in-house operations for distancing - **(\$2M)**
- Other (hardware, software, fleet supplies, cleaning, etc.) - **(\$5M)**

# COVID-19 Additional Costs - \$77M

**Additional costs related to one-time retrofits and ongoing costs for Phase 1 Recovery of services:**

- Personal Protective Equipment (PPE), cloth masks, sanitizers, etc. - **(\$2M)**
- Increased requirement for paramedic supplies and equipment - **(\$3M)**
- Enhanced cleaning for buses/trains - **(\$11M)**
- Cost of retrofits - **(\$1M)**
- Parks and recreation additional costs for Phase 1 Reopening - **(\$1M)**
- Other - **(\$1M)**

# COVID-19 Expense Mitigation - \$89M in Savings

**Expenditure savings due to facility closures, reduction of non-essential services and discretionary spending cuts:**

## **Our Services**

- Recreational facility closures (operating and facilities costs) - **\$16M**
- Reduction in fuel costs (Transit) - **\$2M**
- Reduced presto fees (lower ridership) - **\$5M**
- Lower Equipass and ODSP ridership - **\$4M**
- Discretionary spending pause across the organization - **\$20M**

## **Our People**

- 4,280 part-time employees placed on Declared Emergency Leave - **\$22M**
- Summer student program significantly reduced - **\$7M**
- Vacancy savings from staffing delays - **\$9M**
- Other (crossing guards, reduced overtime, part-time staff, etc.) - **\$4M**

# Total COVID-19 Deficit by Funding Source

2020 Forecast Financial Impact (Deficit)/Surplus				
	Transit	Tax	Rate	Total
Revenue	(\$120M)	(\$115M)	(\$6M)	(\$241M)
Government Funding		\$37M		\$37M
Additional Costs	(\$11M)	(\$66M)		(\$77M)
Savings	\$8M	\$78M	\$3M	\$89M
<b>Total Deficit</b>	<b>(\$123M)</b>	<b>(\$66M)</b>	<b>(\$3M)</b>	<b>(\$192M)</b>

# COVID-19 Mitigation Strategies

# Guiding Principles

Three principles will guide our recovery and support the City's overall financial health and sustainability

## 1. One-time solutions:

- Minimize impact on future budgets, operations and service delivery
- Address immediate financial pressures while maintaining the City's long-term financial sustainability

## 2. Balanced approach:

- Delivery of statutory and mandatory programs and required service levels
- Delivery of the 2019-2022 City Strategic Plan and Term of Council priorities in context with what is known about Provincial and Federal Assistance
- Equitable approach across the City

## 3. Transformational change:

- Assessment of how the City delivers its programs in COVID-19 and post-COVID-19 times
- View of our service delivery to year-end and into 2021 to inform our 2021 budget

# Actions Underway

	Transit (\$M)	Tax (\$M)	Rate (\$M)	Total (\$M)
<b>Total Deficit</b>	<b>(\$123)</b>	<b>(\$66)</b>	<b>(\$3)</b>	<b>(\$192)</b>
Parking Reserve Contribution		\$17		\$17
Excess Hydro Dividend		\$2		\$2
2020 Tax Stabilization Reserve Contribution		\$4		\$4
Full Staffing Pause to end of 2020		\$5	\$1	\$6
<b>Total of Actions</b>		<b>\$28</b>	<b>\$1</b>	<b>\$29</b>
<b>Remaining Gap</b>	<b>(\$123)</b>	<b>(\$38)</b>	<b>(\$2)</b>	<b>(\$163)</b>

# Actions Underway

	Transit (\$M)	Tax (\$M)	Rate (\$M)	Total (\$M)
<b>Remaining Gap</b>	<b>(123)</b>	<b>(38)</b>	<b>(2)</b>	<b>(163)</b>
Capital Close	6	20	52	78
Deferral of Capital Projects	30	29	23	82
Borrow from Tax and Rate Capital Reserves	87	(11)	(73)	3
<b>Total of Actions</b>	<b>123</b>	<b>38</b>	<b>2</b>	<b>163</b>
<b>Net Gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* New stimulus funding/grants to offset deferrals



# Actions Underway

- Capital Close review and reports to Transit (June 17) and FEDCO (July 7), funds available to offset deficit
- Review of capital projects to pause (transit, tax and rate), funds available to offset deficit
- Review of capital projects to proceed with using targeted federal/provincial stimulus funds (identification of municipal contributions and commitments to cover a portion of remaining deficit)
- Monitoring funding applications to federal and provincial governments to cover additional expenses related to COVID-19

# Actions Planned

## **Medium (end of year) and longer term (into 2021) to offset deferrals:**

- Identification of municipally funded projects to swap for stimulus if announced
- Applications to provincial and federal governments for additional funding/grants
- Undertake targeted service reviews
- Conduct service fee reviews
- Refresh Long-Range Financial Plans/Fiscal Framework

# Conclusion & Next Steps

# Conclusion

- COVID-19 is not over and will be present in our community for some time
- Projected City of Ottawa deficit for 2020 is \$192M
- A mix of reducing operating expenses and capital mitigation measures will address the gap, enable us to maintain business continuity and respond to evolving community needs due to the pandemic
- Must be vigilant in managing financial risk and maintaining services until the end of the year
- Mayor has made requests, on behalf of the City, to the federal and provincial governments for funding support for capital infrastructure, transit and operating pressures
- The City needs financial assistance in these areas as 2020 mitigation measures are not sustainable into 2021
- City staff will consider additional options for 2021 Budget; service levels will be impacted should backstop funding from the federal and provincial governments not be received

# Next Steps

- Capital close reports at Transit commission (June 17th) and FEDCO (July 7)
- Reports to FEDCO July and August to advance mitigation measure implementation
- Staff continue to support Mayor with Big City Mayors' Caucus (BCMC) and the Large Urban Mayors' Caucus of Ontario (LUMCO) advocacy for federal and provincial backstop assistance
- Continued lobbying in support of the Federation of Canadian Municipalities (FCM) and Association of Municipalities of Ontario (AMO) ask for federal and provincial backstop assistance
- Commencement of targeted service reviews
- Development of the 2021 budget directions and budget informed by reviews with the assumption of a 3% tax increase
- Continue review of the 2019-2022 City Strategic Plan and Term of Council Priorities