

To All Commissioners

**Re: COVID-19 Financial Impacts**

**Recommendation**

That the Commission:

- i) DIRECT administration to extend rear-door boarding and free fares for the period of June 1 to June 30, 2020 with the exception that anyone requiring accessibility features would continue to be allowed to board at the front doors without payment required;
- ii) DIRECT administration to continue working with the Province in an effort to identify the steps required to return to front door boarding and fare collection to ensure safety for operators and riders and implement same as soon as possible; and
- iii) DIRECT administration to advise civic administration that all funding sources within the Commission's control have been exhausted, and as such, additional operating budget support from the City of London may be required if services continue to operate and no funding relief is provided by the Provincial or Federal levels of government.

**Background**

Since the onset of the COVID-19 pandemic in Canada, both the Federal and Provincial levels of government have made clear, through commentary and emergency orders, that public transit services are considered essential in order to keep communities moving, and to continue to provide transportation for essential workers as well as those customers that rely on public transit for access to the community.

While these comments and orders call for the continuation of services, they do not provide transit operators with any relief from compliance expectations of any other regulatory requirements including but not limited to the Employment Standards Act, Occupational Health & Safety Act, Accessibility for Ontarians with Disabilities Act, Ontario Human Rights Code, and the Municipal Act. Decisions that have been made with respect to any changes in practices or procedures in responding to the COVID-19 situation have been carefully weighed to ensure continued compliance with all regulatory requirements.

While ridership levels have dropped significantly, service levels have not been reduced to the same extent for a number of reasons, including the following:

- Reducing service levels to the same extent that ridership has decreased would result in a transit service that would be so pared down it would not be useful to the majority of riders, and as such, would not meet the expectations for public transit to continue to provide transportation for essential workers to and from work.
- Reducing service levels too far would result in overcrowding on buses as those who rely on transit as their only option would continue to ride. Transit systems have avoided this in an effort to have adequate service levels on the road to ensure buses are not over-crowded.
- Service level changes take time to be implemented noting Operators must be reassigned to new work, schedules must be created and made available to the public, and real-time information options must be updated to ensure customers have access to the information they require in order to make transit a viable option for them.
- Employee absenteeism during this period has been difficult to predict, and service levels need to be established based on employee availability. To date, London Transit has made two formal service level reductions and one interim measure that lasted for one week. The first reduction was in immediate response to decreased ridership and employee availability, and resulted in an approximate 10% reduction in total service hours. During the period of April 12-18, 2020, the public was notified that service on several routes may be impacted depending on the availability of resources. The third reduction took effect on April 19, 2020 and resulted in an additional 20% reduction in service hours, resulting in services currently running at 70% of what would normally be operating at this time of year.

On the specialized service, the number of vehicles in service has been reduced by approximately 35%. These reductions attempt to balance the continued need for the service, noting many of the customers who are continuing to utilize the specialized service are dialysis patients travelling to/from treatment and the need to continue to provide access to the service for those customers booking other essential trips.

### Revenue Impacts

On March 19, 2020 (effective March 20, 2020), the Commission approved the move to rear door boarding for all riders with the exception of those who require the accessibility features of the bus which are only available at the front door. This move, undertaken to provide greater protection for bus Operators, resulted in the inability to collect fares, given the fare collection equipment is located at the front of the bus.

As set out in Staff Report #1 dated May 27, 2020, administration, in co-operation with the Ontario Public Transit Association is working with the Province to identify the measures that will be required in order to return to front door boarding and the resumption of fare collection. Work will begin on implementing these measures as soon as it is practical to do so in an effort to resume collecting fares.

### Options to Address Funding Shortfall

Communication from civic administration has indicated that agencies, boards and commissions were expected to manage any shortfalls in their operating budgets on their own, noting the city would not be in a financial position to assist with balancing budgets in 2020. Some of the options that were outlined in the communication with respect to managing budget shortfalls included:

- Review discretionary spending – Consider whether planned spending for 2020 on discretionary spending such as training, replacing office equipment, etc. is necessary and whether those budget dollars can be reallocated to cushion the financial blow of COVID-19.
- Staffing levels – Give consideration to the staffing levels you are maintaining while balancing our most important human resources against the current fiscal realities.
- Review and potential renegotiation of purchased service contracts – Give consideration to whether the same levels of service are required (e.g. janitorial, maintenance, etc.) and whether there are any opportunities to temporarily renegotiate the terms of the contract for the duration of the modified hours of operation.
- Consider whether planned consulting work can be handled by internal staff with capacity to do the work in these modified work arrangements we are currently experiencing.
- Utility usage – Consider any potential actions that can be taken to minimize required utility usage under current modified hours of operation.
- Payment terms – Be mindful of cash flow constraints and consider whether there are any opportunities to lengthen the payment terms with your suppliers.
- Capital plans – Consider whether planned capital projects can be deferred to future years in order to preserve cash resources.

Many of the options above assume that regular business has been interrupted or halted; however this is not the case with public transit services, and as such most of them are not applicable. Service levels have been reduced, and the savings associated with those reductions are reflected in the monthly estimates, as have the savings resulting from lower fuel and utility costs.

The table below sets out the worse-case estimates for budget shortfalls to date, with estimates for May and June, and options to fund same in the short term.

#### Budget Shortfalls To Date Associated with COVID

		To Date	May (Est)	June (Est)	
Lost Revenue		\$(4,073,600)	\$(2,631,500)	\$(2,649,700)	
Personnel		379,400	291,400	284,900	
Fuel		407,600	230,700	241,200	
Facility		15,000	10,000	10,000	
Other		114,200	83,200	86,500	
<b>Total Impacts</b>		<b>\$(3,157,400)</b>	<b>\$(2,016,200)</b>	<b>\$(2,027,100)</b>	
<b>Funding Options</b>	<b>Opening Balance</b>				<b>Closing Balance</b>
Assessment Growth from 2020	\$1,095,300	\$(1,095,300)	\$ -	\$ -	\$ -
General Operating Reserve	2,999,000	(2,062,100)	(936,900)		-
Energy Management Reserve	2,403,000		(1,079,300)	(1,323,700)	-
Unfunded (shortfall)	-			(703,400)	(703,400)
<b>Total</b>	<b>\$ 6,497,300</b>	<b>\$(3,157,400)</b>	<b>\$(2,016,200)</b>	<b>\$(2,027,100)</b>	<b>\$(703,400)</b>

As set out in the table, there are three recommended sources of financing that can be utilized to cover the budget shortfalls through to mid-June, with an outstanding shortfall of \$703,400, each of which is described below.

- Assessment Growth from 2020 – As set out in Staff Report #4 – 2020 Conventional Service Plan, dated April 29, 2020, the assessment growth funding that was requested to fund growth is no longer being requested. In discussions with civic administration, it was agreed that utilizing the assessment growth dollars from 2020 to offset budget shortfalls relating to COVID-19 is a good approach.
- General Operating Reserve - The general operating reserve has been established and maintained in order to provide a funding source for budget shortfalls that are a one-time occurrence versus having to go back to the City to seek additional funding within a budget year. Utilizing these funds to cover the COVID-19 related budget shortfall is well within the administrative guidelines for this reserve. It is important to recognize that while this use is well within administrative guidelines, depleting this reserve to a zero balance leaves the Commission in a much less desirable financial position going forward.
- Energy Management Reserve – The energy management reserve has been established to provide a funding source for budget shortfalls that are a one-time occurrence, specifically relating to fuel and energy costs. While the COVID-19 related budget shortfalls are not related to fuel/energy costs, the reserve is unrestricted, and as such, can be utilized for other needs as required. Depleting this reserve leaves the Commission in a much less desirable financial position going forward.

While the aforementioned funding options will ensure that the operating budget remains balanced through to the end of May and part way through June, without a newly identified source of funding, there is no option to address the projected funding shortfall going forward should the current operating scenario remain in effect. Further, while this approach provides for a balanced budget in the short term, it leaves the Commission in a less desirable financial position going forward noting the depletion of two reserves that historically have been relied upon to be available for any one-time budget shortfalls.

The projections provided in this report are an estimate only through June, noting given the changing landscape with respect to the pandemic, it is impossible to predict what the budgetary impacts will be going forward. Administration will continue to monitor and report monthly, as well as look to ways to mitigate the operating shortfalls including the ability to return to front door boarding and the resumption of fare collection. It should however be noted that the only way to address the shortfalls that are anticipated to continue within the Commission's budget would be to significantly reduce service levels on both the conventional and specialized services. This would result in a service that would not be considered viable for most riders relying on transit to get to/from work, and is insufficient compared to the demand that is being created with the loosening of restrictions and opening of the economy.

#### *Advocacy Efforts*

The issues affecting London Transit as set out earlier in this report are consistent with those impacting every transit system in the country, to varying degrees. Given that municipalities and transit systems by extension are not allowed to operate at a deficit as a requirement of the Municipal Act, both the Ontario Public Transit Association (OPTA) and the Canadian Urban Transit Association (CUTA) have been working in partnership with the Association of Municipalities of Ontario (AMO) and the Federation of Municipalities of Canada (FCM) respectively in an effort to seek funding relief from both the Provincial and Federal governments.

Provincially, OPTA has supported the requests from the Large Urban Mayor's Caucus of Ontario (LUMCO), which called for the province to begin a dialogue on potential solutions to the issues that transit systems are facing, including emergency relief funding to replace lost operating revenue and/or emergency grants for those facing liquidity issues. OPTA representatives have had the opportunity to speak directly with the Minister of Transportation regularly regarding the issues currently being faced by transit operators in Ontario and the possible role the province could play in providing relief.

CUTA has increased its media efforts with respect to the requests for the federal government to cover lost revenue for Canada's transit systems (estimated at \$400 million per month), provide access to \$1.2 billion in relief funding for transit systems facing liquidity challenges, support for the procurement of cleaning agents and disinfectants, and stimulus funding for capital projects providing sustainable transportation options going forward. FCM released their request of the Federal government on April 23, 2020, which included a request for a minimum of \$7.6 billion in emergency operating funding for municipalities, plus an additional \$2.4 billion for those with transit systems.

At time of report writing, there have been no firm commitments from either level of government; however, both have signaled their understanding of the needs identified, as such advocacy efforts will continue in earnest.

Recommended by:

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