



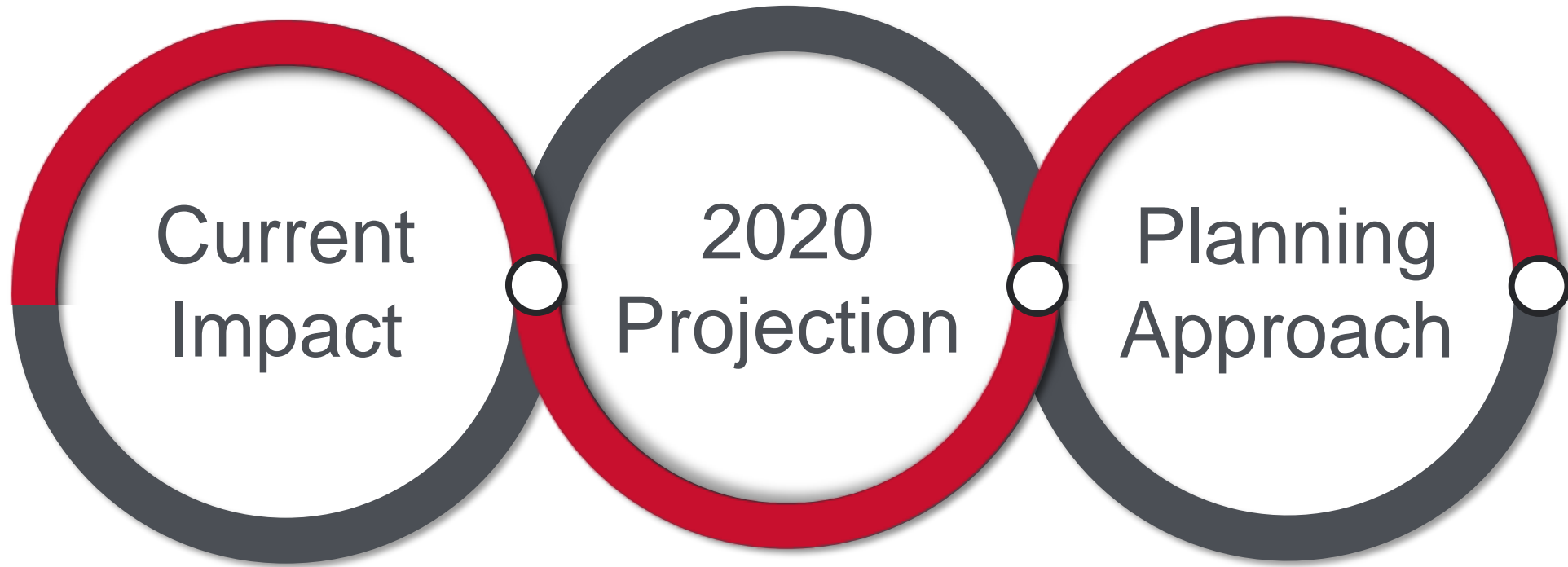
C2020–0586 COVID-19 Service Plan and Budget Update - May

2020 May 25

Combined Meeting of Council

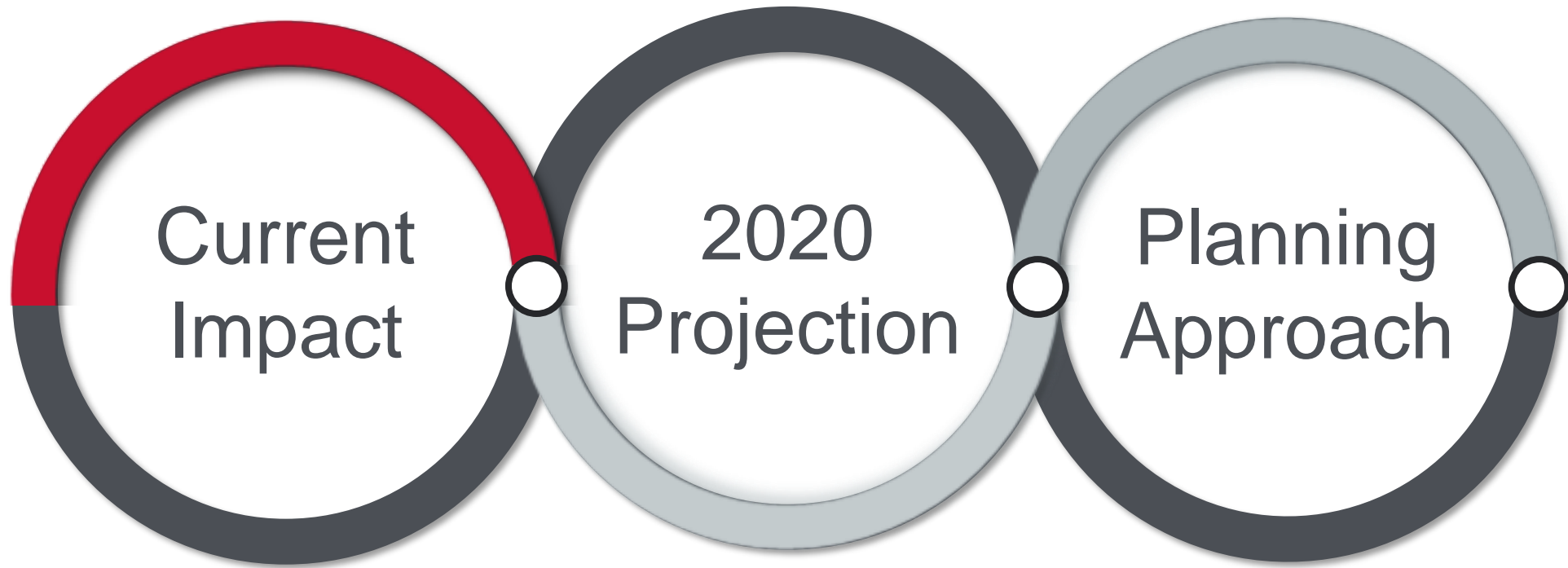


Roadmap for Service Plan & Budget Update - May





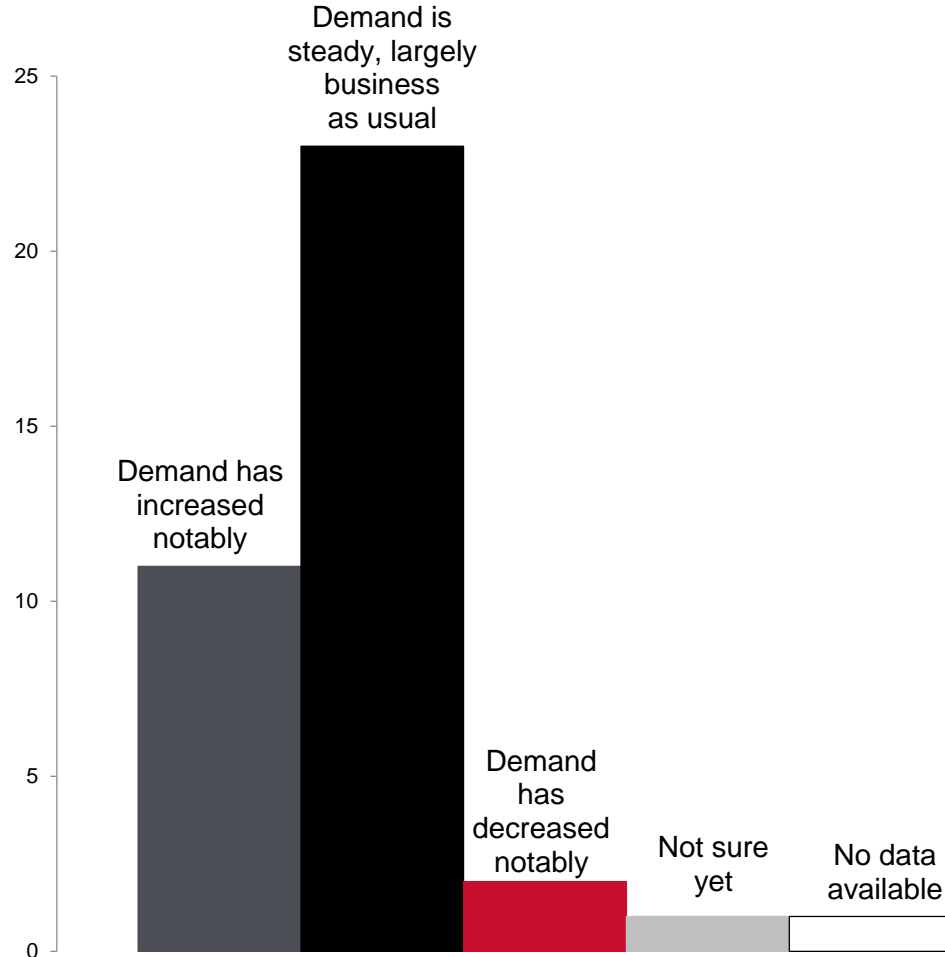
Update on current COVID-19 impact





Impact of COVID-19 on demand

What impact have you seen on the current demand for your service?



Demand	# of Business Units
↑	<p>11</p> <ul style="list-style-type: none"> • Generally internal service providers, such as Law, Information Technology, Human Resources and Finance • Parks and Calgary Neighbourhoods have also seen demand increases
↔	<p>23</p>
↓	<p>2</p> <ul style="list-style-type: none"> • Calgary Transit and Recreation have experienced decreased demand with revenue impacts that are very large and affect The City as a whole

As of 2020 May 22



Impact of COVID-19 on services

- Severe Impacts**

- Recreation**

- Facilities closed until further notice
- 892,000 missed visits to date from cancelled bookings and registered programs

- Transit**

- 92% reduction in C-Train ridership
- 80% reduction in key bus route and MAX ridership
- 80% reduction in calls taken at Calgary Transit Access call centre
- 86.7% reduction for Adult and Youth ticket sales from ticket vending machine

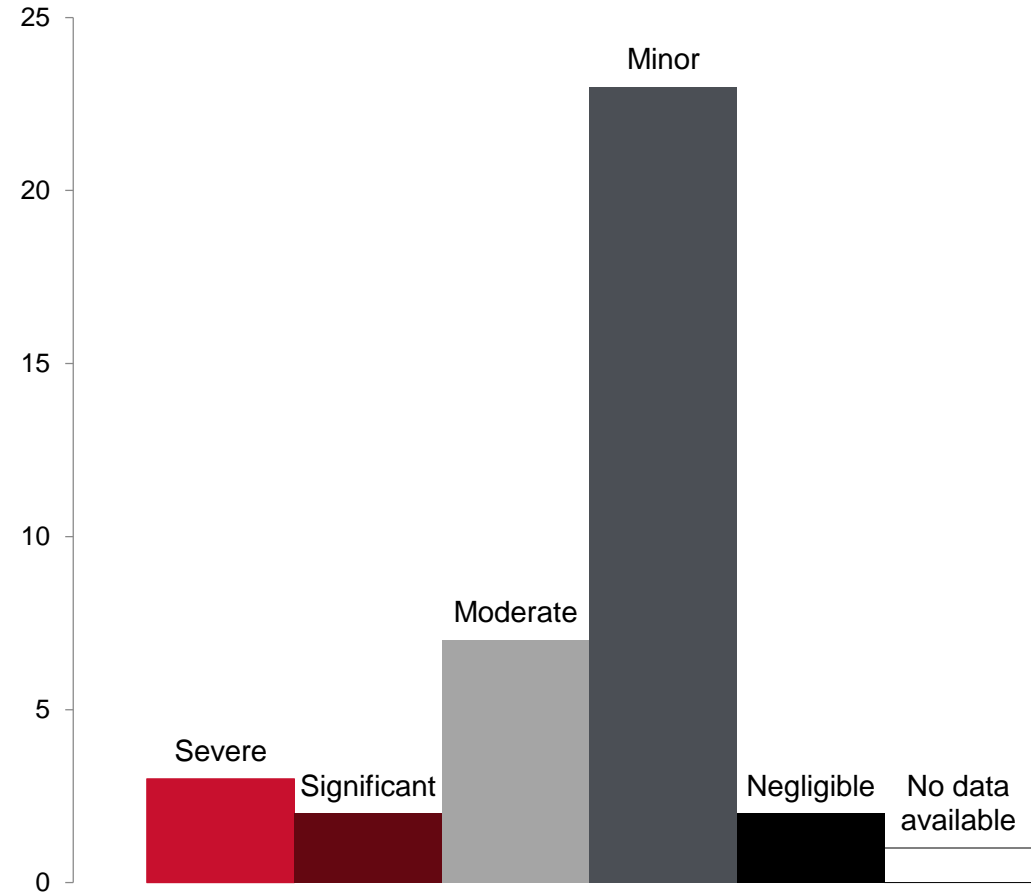
- Waste & Recycling Services**

- Blue Cart Program sorting facility continues to experience operational capacity impacts due to an outbreak of COVID-19. As of May 22, it is targeting to be back to 75% operating capacity by end of the week.
- Decreased waste to Waste Management Facilities

- Significant Impact – increased demand**

- Calgary Emergency Management Agency
- Law

Impact on Service by Business Unit



As of 2020 May 22



Additional impacts of COVID-19 on services

Demand impacts	Delays
<ul style="list-style-type: none"> • Decreased development activity (industrial sales, development permits, developer contributions) • Decreased consumption water & wastewater • Decreased parking 	<ul style="list-style-type: none"> • Hiring freeze • Planning policies • Livery Transportation bylaw • Establishing Indigenous Relations Office
Doing More	Doing Less
<ul style="list-style-type: none"> • Financial relief: <ul style="list-style-type: none"> – Extended tax payment deadline – Planning & Development deferral and/or waive fee payments – Waived Business Licence renewal – Rent relief – Waived Taxi & Limousine driver fees and 50% plate fees – Additional support for community group and Civic Partners – Low Income Transit pass fares suppressed for March, April and May • Online programs and applications • COVID-19 response overtime • IT solutions and support • Communications and on-line engagement 	<ul style="list-style-type: none"> • Calgary Transit removed some routes, reduced frequency on others • Cancelled 2020 Community cleanups • Cancelled 2020 census • Cancelled / postponed programs • Delay in tribunal hearings • Spay/Neuter program • Scaled back taxation collection activity • No fair entry intake validation • Closure of some transit stations and plus 15 network



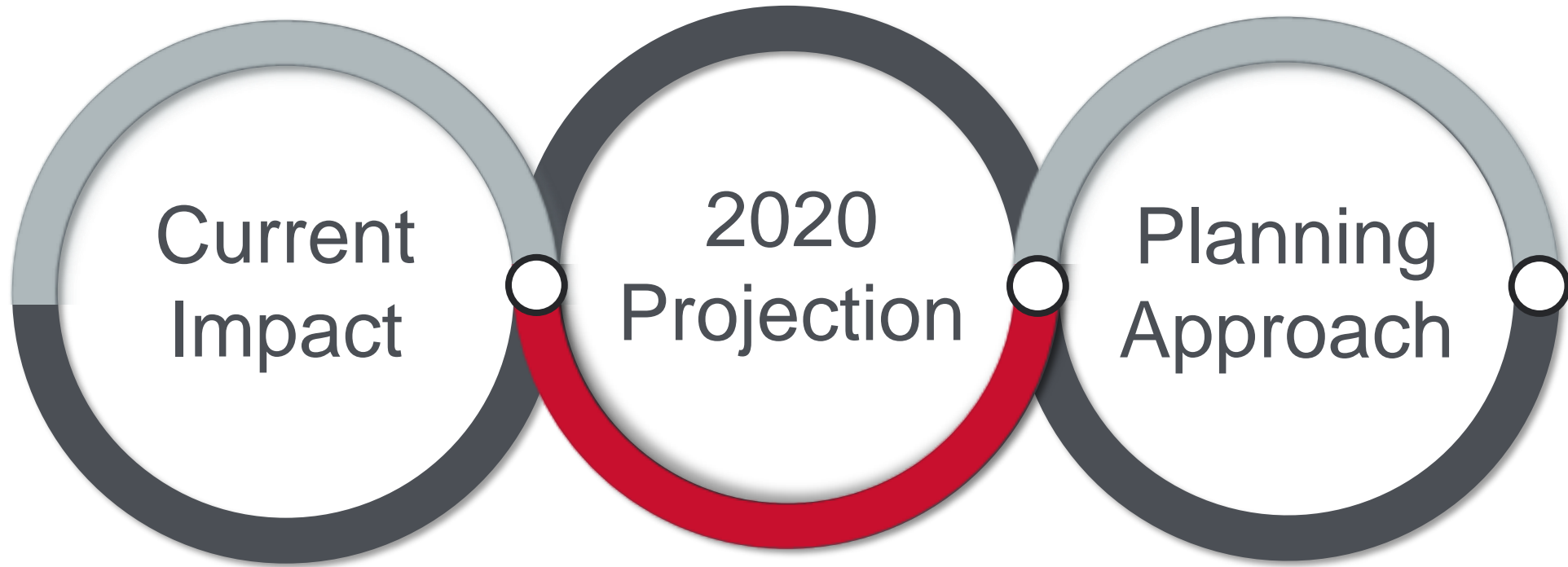
Preliminary financial impacts: March 12 – May 17

	\$ millions	
Revenue	(39.3)	<ul style="list-style-type: none"> • Closure of recreation facilities • Loss in transit revenue • Reduction in permit revenue • Property sale transactions have fallen
Incremental Expenses	(14.0)	<ul style="list-style-type: none"> • Overtime • Layoffs of certain temporary and permanent staff • IT equipment and pandemic supplies • Facility cleaning
Savings	9.9	<ul style="list-style-type: none"> • Reduction in Calgary Transit Access trips provided by contracted service providers • Staff reductions and delays in hiring seasonal staff
Total	(43.4)	
	\$ millions	
Incremental Productivity Lost/ Redirected	(19.6)	<ul style="list-style-type: none"> • S&A related to COVID-19 event • Pay Continuity • Redirected staff (COVID-19 response)

Note: Police impacts not included – will be included monthly following approval from Police Commission.



Service Plan and Budget Projection





Methodology

- Corporate-wide exercise
 - Civic partners excluded
 - Police will be included after approval from Police Commission
- Services updated:
 - Projected impacts to their service & finances by year-end 2020 (gap)
 - Projected impacts of temporary COVID-19 changes (narrowing the gap)
- Assumption that current situation lasts until: 2020 June 30
 - Significant assumptions due to scope of uncertainty
- **Scope**
 - **Exclusion: Relaunch strategies and actions (currently in progress, to be reported in June update)**
 - **Inclusion: Relief packages and associated funding sources approved by Council on or after April 30**



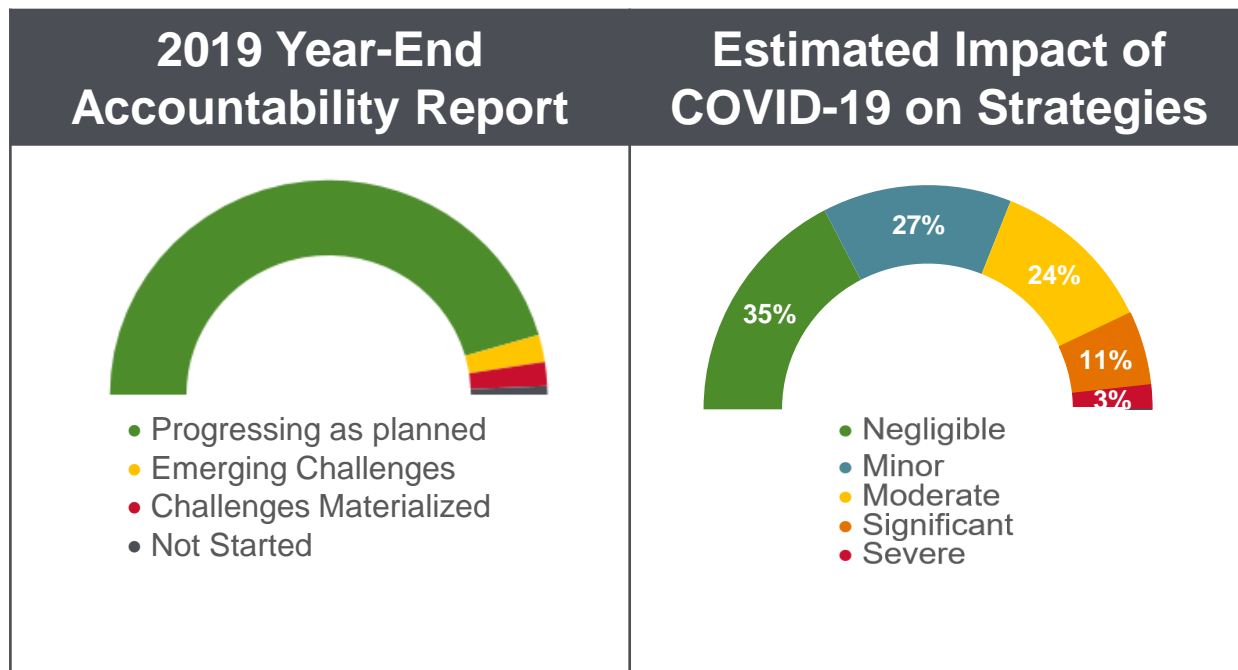
Key assumptions* underlying the financial and performance projections

- Current state of local emergency (SOLE) and Alberta Health Service (AHS) public health orders: regarding staff and public safety, social isolation, and gatherings
- CEMA definitions of Essential services are in place
- Supply chain remains disrupted
- Impacts to capital investments (construction, job sites, access to materials and contractors) remain at the current level
- Tax revenue aligns with 2020 Adjustments
- Current revenue trends hold, unless more refined assumptions on user fee and rate revenue available.
- Current expenditure trends hold, unless more refined expenditure projections based on your service's circumstances.
- No new sources of funding (either operating or capital) is available from the Federal or Provincial government.
- Performance expectations for future projections may not align with prior Council approvals.

*Changes in these assumptions may have a significant impact on projections



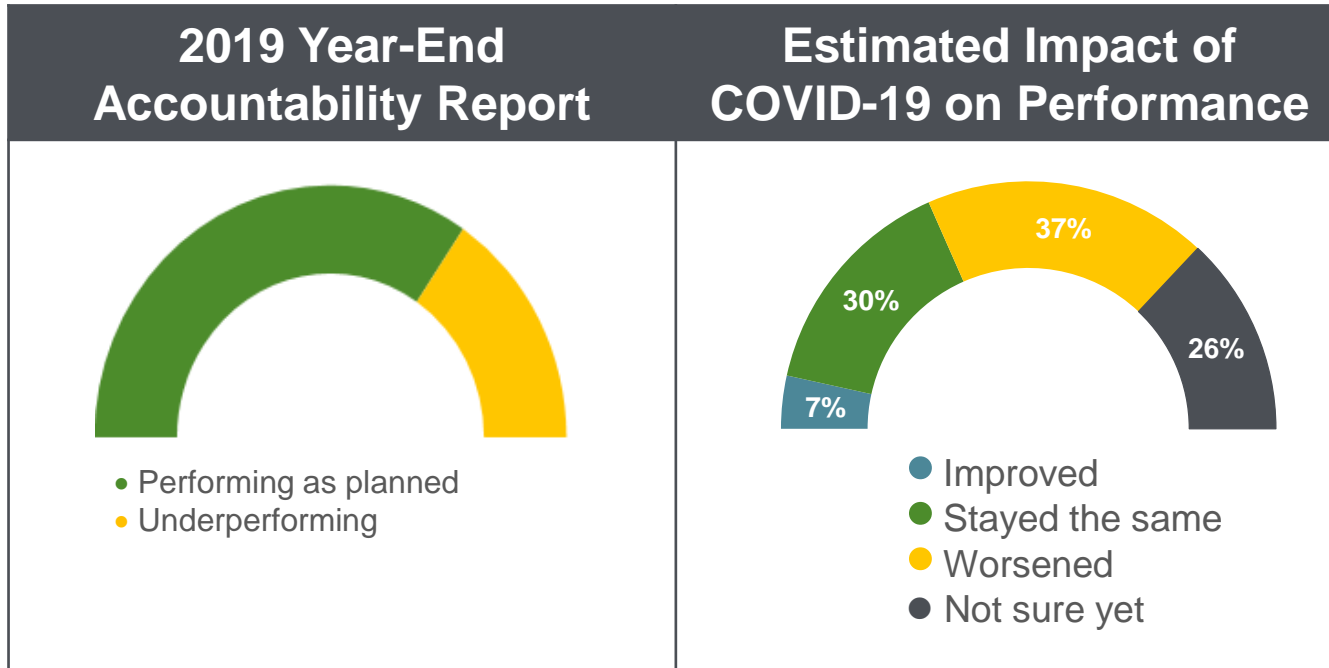
Projected strategy impacts



- The One Calgary 2019-2022 Service Plans and Budgets include 622 strategies, each of which was reflected in the 2019 Accountability Report. At that point 91% of strategies were on track.
- Strategies related to Civic Partners and Calgary Police (21 strategies) are not included in the COVID-19 impacts. Based on updated data for 601 strategies:
 - Only 2% of strategies have a different projected impact compared to the report in April.
 - 62% of strategies have a negligible or minor impact, while another 24% have seen a moderate impact.
 - Strategies that have been significantly or severely impacted (14%) are related to interactions with the public or partners and are associated with services like Arts & Culture, Community Strategies, Municipal Elections, Parks & Open Spaces, Public Transit, Recreation Opportunities, and Social Programs. IT Solutions & Support is the only enabling service that is currently being affected severely.



Projected performance impacts



- The One Calgary 2019-2022 Service Plans and Budgets have 256 approved performance measures.
- At the end of 2019, 66% of the 256 performance measures were performing as planned; and 34% were underperforming.
- The number of performance measures expected to “improve” or “stay the same” have each decreased by 2% since April.
- Performance measure impacts expected to “worsen” have increased by 6% since April.
- Performance measure impacts categorized as “not sure yet” are down by 3% since April.



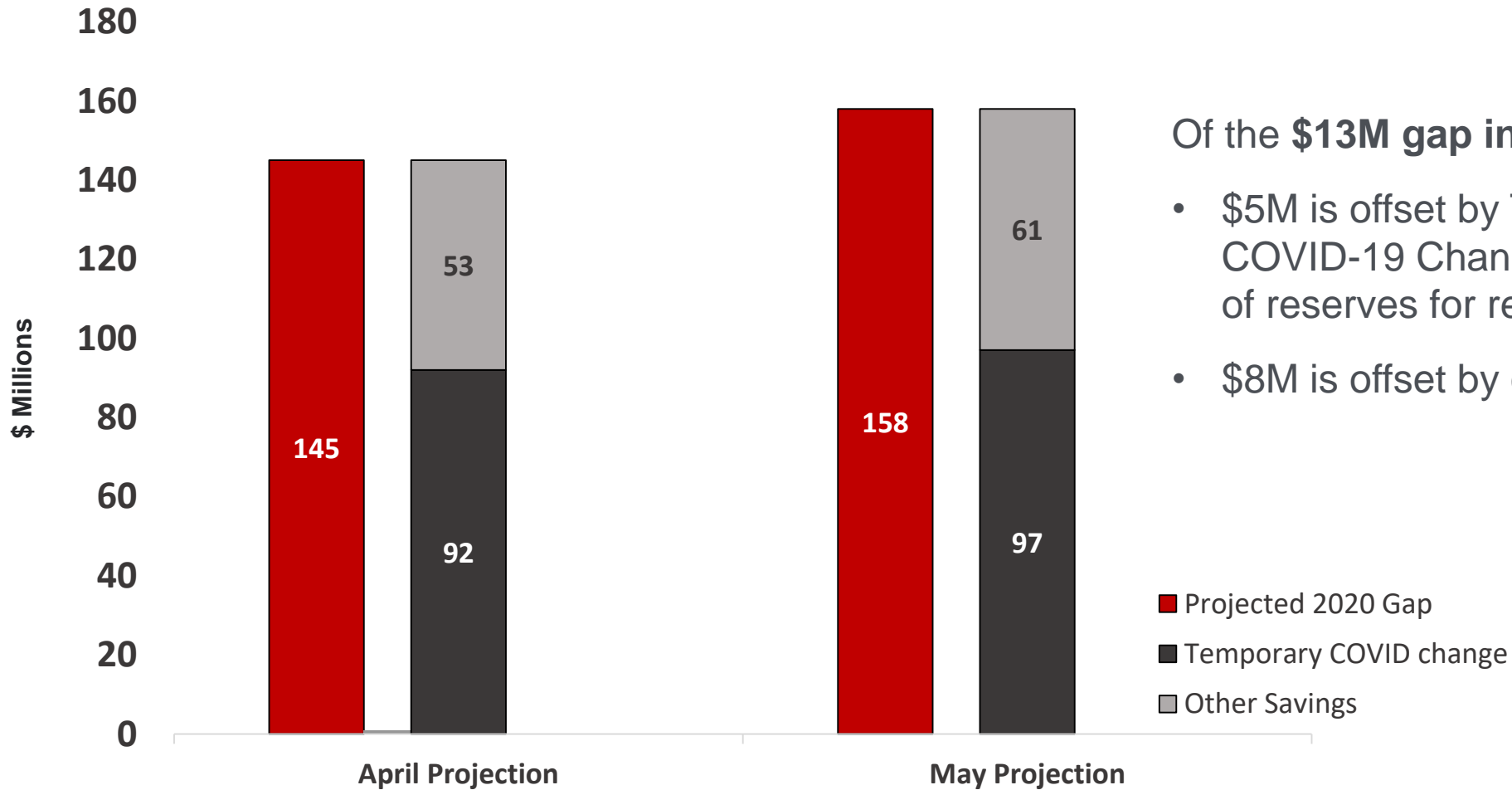
Projected 2020 gap

Account Category	May Projection (\$ M)	April Projection (\$ M)	Diff. vs April (\$ M)	Explanations
Revenue	(204)	(184)	(20)	<ul style="list-style-type: none"> Loss of transit revenue (reduced ridership) Council approved relief packages Closure of recreation facilities Decrease in water consumption from temporary business closures Lower franchise fees from water utility services
Recoveries	(2)	(2)	-	<ul style="list-style-type: none"> Lower demand for internal services such as waste management as a result of vacancies and reduced building capacity
Expenditures	48	41	7	<ul style="list-style-type: none"> Temporary and part-time staff lay-offs Seasonal staff reductions in parks Vacancy savings from intentionally managing the workforce Offset by increased overtime and supply costs associated with COVID-19
Total gap	(158)	(145)	(13)	

Note: \$ estimates rounded to the nearest million.



Narrowing the gap



Of the **\$13M** gap increase:

- \$5M is offset by Temporary COVID-19 Changes (including use of reserves for relief packages)
- \$8M is offset by other savings

Note: \$ estimates rounded to the nearest million.



Largest value temporary COVID-19 changes in 2020

Service	Change Amount	Summary	Citizen Impact
Public Transit	\$42	Remove some transit routes, lower service level on some transit routes.	Direct
Water Treatment & Supply	\$12	Consider capital and operating reductions. Consider further use of debt and reserves.	Indirect
Wastewater Collection & Treatment	\$10	Consider capital and operating reductions. Consider further use of debt and reserves.	Indirect
Specialized Transit	\$8	Align Specialized Transit to demand.	Direct
Building Safety	\$4	Expenditure reductions and utilization of reserve as required.	Indirect
Business Licensing	\$4	Approved Business License relief package.	Direct
Sidewalks & Pathways	\$3	Relinquish and absorb growth, maintain pedestrian pavement marking level of service, service levels for snow and ice control slightly reduced.	Direct
Waste & Recycling	\$2	Consider capital and operating reductions. Consider use of reserves.	Indirect

Note: All \$ figures rounded in millions



Projected risk impacts

2020 Year-end projection (43 risks)

Slight	Low	Medium	High	Severe
2%	21%	30%	30%	16%

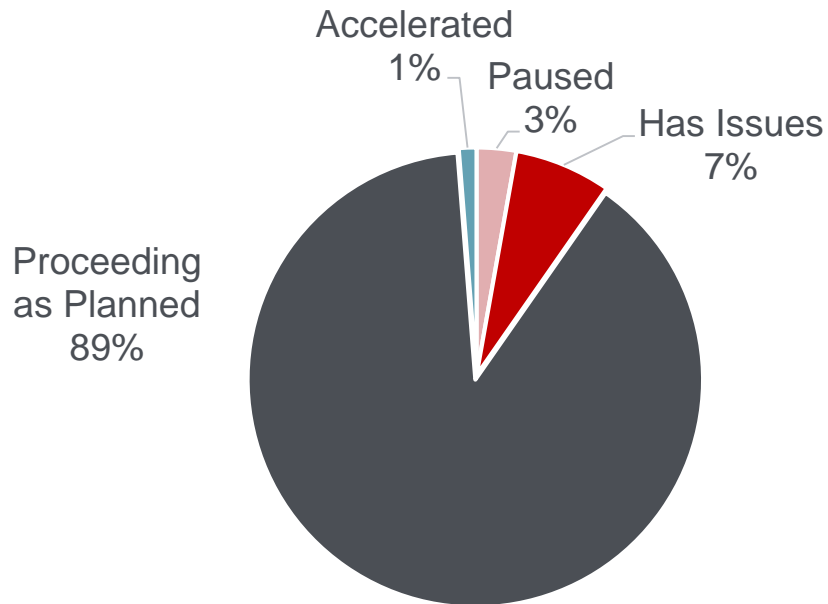
5 Priority Risks*	From the 2020 Year-end projections
Financial Risk	<p>The accuracy of the projected gap and the successful delivery of temporary service changes to generate savings that assist in closing the gap are critical components of this risk. With the SAVE program already in progress, delivering additional savings will be challenging.</p> <p>The expected revenue decrease for certain services like Transit, Recreation, and Real Estate is expected to continue to strain financial risk in these areas. The revenue from licensing for a variety of services is also at risk. Reserves are being used in certain situations to close the gap and salary expenditures have decreased for most services.</p>
Health and Safety Risk	<p>This risk remains high and is acutely impacting some areas more than others (for example the Blue Cart Program sorting facility reported cases of COVID-19). Many services noted this is their top risk as they are continuing to monitor staff health, safety, and wellness.</p>
Infrastructure Management Risk	<p>No significant change since April.</p>
Political Risk	<p>No significant change since April.</p>
Reputation Risk	<p>As the pandemic continues more services have noted reputation risk as their top risk. This is due to sustained cancellations and service reductions which may negatively impact citizen's perceptions. We are currently seeing an increase in satisfaction which is consistent with the pattern typically experienced in times of crisis.</p>

*The 5 Priority Risks are a subset of the Principal Corporate Risks and were approved by Administrative Leadership Team (ALT) in December 2019

The City's current capital situation

Overall, The City continues to move forward with capital investments

How are investments proceeding?



- Most investments are proceeding as planned
- While some issues are being experienced – e.g. contractual, access to human capital, access to materials - we are working on mitigating these with minimal impact
- Some current capacity issues (e.g. access to contractors) may become opportunities into the future
- Procurement strategies are being looked at to mitigate potential supply challenges
- Recommended investments based on the Council approved stimulus criteria (C2020-0524) will be brought to Council should stimulus funding be announced

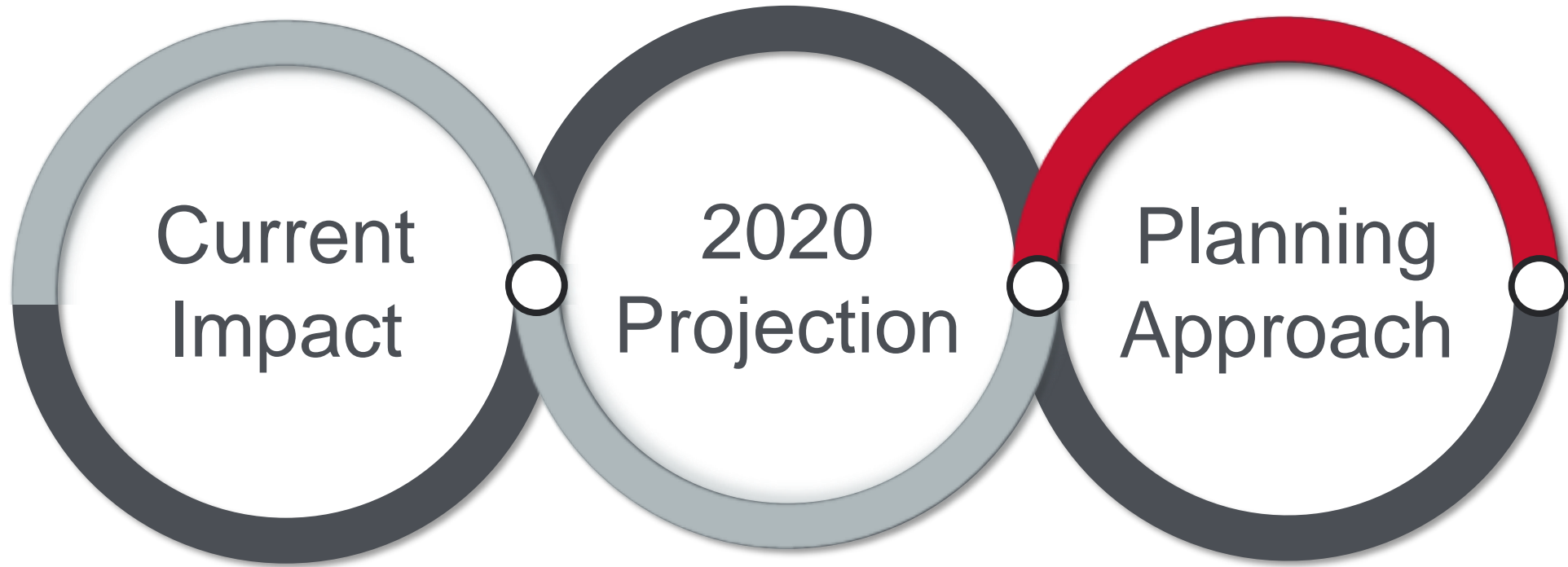


Workforce

- Treat employees with dignity and respect while balancing employer/employee interests
- Extensive support for employee health, safety and wellness, including:
 - Regular communications (e.g. weekly townhalls, COVID-19 FAQ's, All Employee Notice bulletins)
 - Facility Safety
 - Mental Health
- Intentional workforce management and adjustment
 - **Implementation of a hiring freeze and increased oversight by the Corporate Workforce Management Planning Committee**
- Anticipating recovery – workforce planning (culture, skill set and complement) for current state and economic resilience



We have a robust planning approach



Some important questions from Council are guiding our work

Initial response provided 2020 April 30 (COVID Response Section) and update provided today (Current Impact Section)

- 1) How will the desires and needs of Calgarians change?
- 2) What options do we have in our operating budget and capital budget?
- 3) Where do we lean in and out of services?

Initial response provided 2020 April 6 and/or further information provided 2020 April 30 (Municipal Relief Section)

- 1) How will the ability of taxpayers and ratepayers to pay be impacted?
- 2) What options do we have in policy?
- 3) What can the City do to help - as an employer, a government, and corporation?
- 4) What is the City's plan in terms of offering relief for taxpayers?

Initial response will be provided in a future meeting

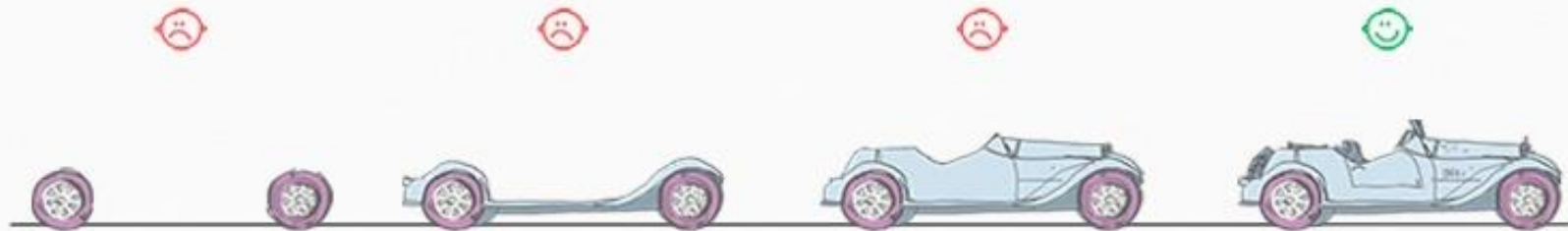
- 1) Does it still make sense to have a four year budget process with such volatility in the world, country, and province?

We are continuing to monitor

- 1) How will the most vulnerable in our city be impacted?
- 2) How will the decisions of local business impact Calgary?
- 3) What is the impact of the world financial market volatility on our ability to achieve our budget targets?

A dynamic environment requires an agile, value-driven approach to planning

Not like this...



Instead like this!





Our initial forecasts will become more refined over time

1 Initial Forecast

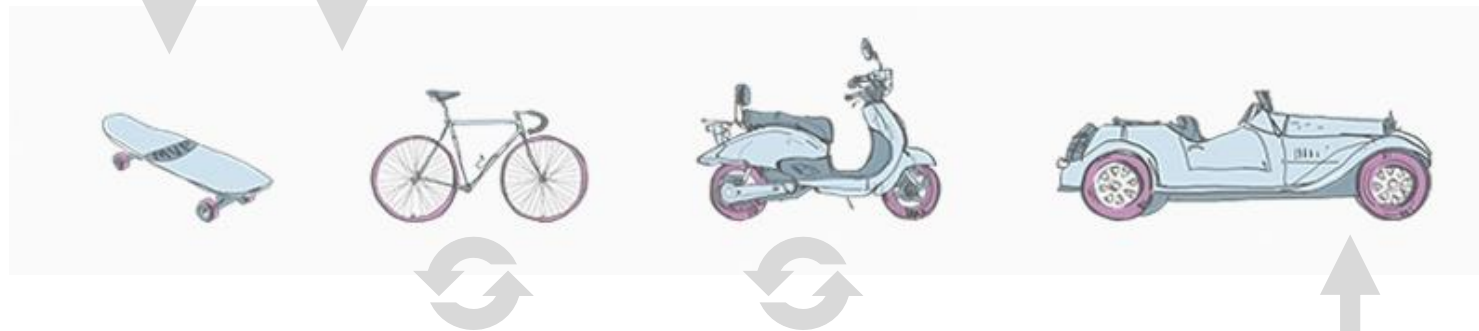
2020 April 30

Initial process gathered data for preliminary scenarios

2 Update

2020 May 25

Update projections of single scenario for 2020 year-end impacts



Next steps

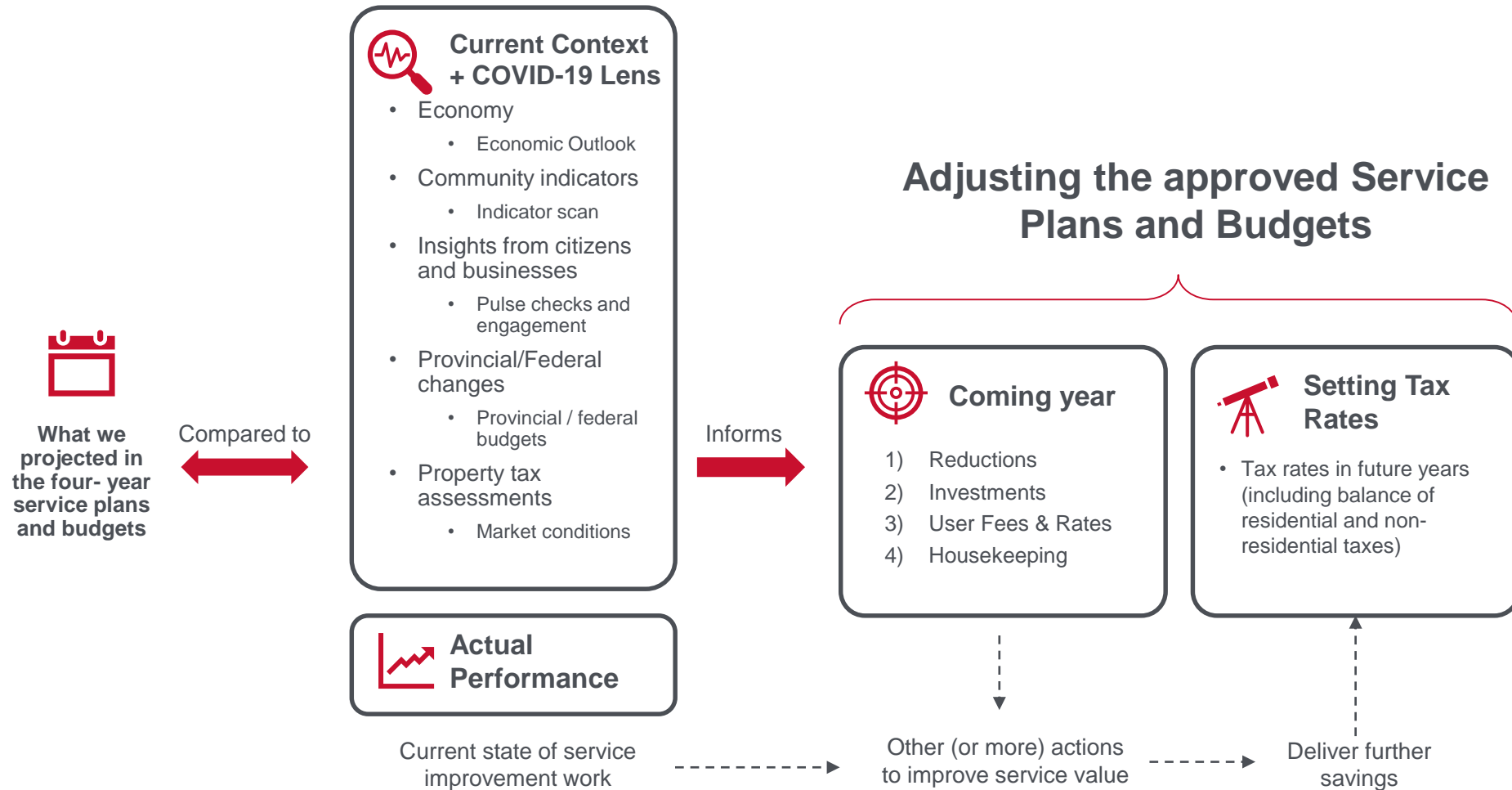
3 Refinement

Define fuller scenarios and develop planning assumptions based on each
Ongoing process to refine the initial data and align it to the scenarios

- For 2020
- For the Mid-Cycle Adjustment (2021+)



We will fit the elements of the adjustments process around the emergency response



Striking the right balance



- Managing costs while delivering the high-quality services that citizens and businesses want and need is a balance we always work to achieve.
- In response to COVID-19, we must additionally balance controlling costs in the immediate term and the speed with which we are able to ramp up our services again as we move toward recovery.
- As we turn our focus to relaunch and recovery, maintaining affordability will be a key consideration in re-opening City facilities and in how we are able to meet any increases in demand for City services. This will be an important theme in our corporate planning and budgeting this year and beyond.