

BRIEFING

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Item # 7.2.1

Chief Financial Officer's Briefing to
Combined Meeting of Council
2020 July 27

ISC: UNRESTRICTED
C2020-0822

COVID-19 Service Plan and Budget Update - July

PURPOSE OF BRIEFING

This report provides an update on the current service and financial impacts due to COVID-19 up to 2020 July 17 and a 2020 year-end projection given the current situation. It provides important context for service and budget decisions within 2020, discussions in preparation for service plan and budget adjustments for 2021 and beyond, and longer-term strategic choices.

SUPPORTING INFORMATION

On 2020 April 30, Administration presented C2020-0504 2020 Initial Scenario Forecasts in Response to COVID-19, on the financial and service impacts associated with the COVID-19 emergency. That report included a commitment to monthly reporting which Administration has delivered since.

The City is operating in a heightened risk environment with a number of uncertainties. To better understand impacts and trends, community indicators are being monitored to support decision-making. A few key highlights include:

- Citizen perspectives in the two to three weeks following the lifting of restrictions include:
 - 75% say their physical health has stayed the same, and 16% say it has improved since restrictions were lifted;
 - 24% say their mental health as improved, however 15% say it has worsened; and
 - 75% say their financial situation has stayed the same, 17% say it has worsened and only 8% reported it has improved.
- The unemployment rate in the Calgary Economic Region (CER) continued to rise, standing at 15% in June compared to 13.2% in May and 6.5% in 2019 June.
- Walking and cycling remain high and vehicle traffic is approaching normal levels, however bus, transit and taxi/ride share trips are recovering more slowly.

The updated projections below are based on the same planning assumptions as the June update (C2020-0754): that the province remains in Stage 2 of the relaunch until the end of October 2020 and remains in Stage 3 until the end of first quarter 2021. This month the projections include data from Calgary Police Service. While many service impacts are unchanged from the 2020 June update, there are some notable changes:

- The estimated financial impact to 2020 June 30 is \$60.4 million.
- The projected year-end financial gap increased since last month by \$24 million to \$184 million.
 - Projected variance has become more unfavourable primarily due to lower revenue projections for Calgary Police Service (\$14 million). Building Safety and Corporate Programs revised their revenue projection downwards as well (by \$5 million and \$12 million, respectively). Note: The main drivers of negative variance for Corporate Programs were lower dividends from the Calgary Parking Authority, lower penalty revenue and tax cancellations.

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- The negative variance was partially offset by improved revenue projections for utilities (\$1 million) and favourable expenditure projections in Calgary Police Service (\$2 million) and across other service lines (\$4 million).
- The aggregate level of savings generated from temporary COVID-19 changes remained unchanged. In light of updated projections, several self-supported services adjusted their COVID-19 changes to balance their internal financial impact to zero through the use of reserves. These impacts offset each other with no material impact on the reported financial gap.
- Other savings will need to increase by \$12 million to close the additional gap. Calgary Police Service are currently examining additional options to decrease their remaining financial gap of \$12 million. Other savings will need to increase further for any balance that Calgary Police Service cannot close.

The projected financial gap for 2020 has increased month over month from an initial estimate of \$145 million in 2020 April to \$184 million in 2020 July. While Administration continues to explore a wide range of tactics to achieve financial balance and options are in place to address the worsening gap this requires significant trade-offs, notably in:

- impacts to services that citizens need; and
- increased risk (e.g. from depleting our reserves).

Given the scale of uncertainty related to both the dynamics of the pandemic development, as well as the economic impact of it, and unknown citizen needs, these projections are likely to change again.

The expenditure and revenue impacts of potential relaunch strategies and actions have been included in this update however as at the date of this report, not all of these activities are approved to proceed. This month's relaunch highlights include: re-opening selected spray parks, splash pads and wading pools, and four aquatic and fitness centres; offering outdoor recreation day camps and free summer programming; resuming Assessment Review Board hearings through an online format; and resuming interior and exterior non-residential property inspections.

Since last month's move to Stage 2 relaunch, most services have seen their demand remain unchanged, including most internal support services. Demand changes of note for July include: Affordable Housing demand has increased notably due to coordinating and responding to new initiatives impacting the non-market housing sector from COVID-19; and Public Transit ridership, which while still low due to remote working/studying options has seen some increase over the last month.

Economic, Financial and Health, Safety and Wellness continue to be top risks to The City. Risk updates include:

- Increased communications and material on mental health and wellness, and ensuring safety equipment and protocols are established and effective;
- Accuracy of the projected gap and the successful delivery of temporary service changes to generate savings that assist in closing the gap, since with the SAVE program already in progress delivering additional savings will be challenging; and
- Deferred or delayed revenue as a result of COVID-19 and the collapse of crude oil prices.

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This update presents the best current estimates of the impacts, but information is continually evolving. As more information becomes available there will be further refinement of projections, and further adaptations of services to support relaunch, so that the emerging picture becomes more accurate over time. Administration's next update of this information will be presented in September.

ATTACHMENT(S)

1. Attachment 1 – C2020–0822 COVID-19 Service Plan and Budget Update-July