

BRIEFING

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Item # 7.2.1

Chief Financial Officer's Briefing to
Combined Meeting of Council
2020 October 06

ISC: UNRESTRICTED
C2020-1080

Service Plan and Budget Update - October

PURPOSE OF BRIEFING

This report provides an update on the current service and financial impacts up to 2020 September 21 providing a 2020 year-end projection based on the Base Case scenario. It provides important context for service and financial 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 pandemic. That report included a commitment to monthly reporting which Administration has delivered since.

At this time, The City is operating in a more stable environment than in previous months. For this month's report demand impacts have not been included and they will return in future reports. New information this month includes funding from other orders of government and tax payments. To continue to better understand impacts and trends, community indicators are being monitored to support decision-making. A few key highlights include:

- Citizen perspectives from the most recent survey (conducted 2020 August 18-25):
 - 89% of Calgarians report 'always' wearing a face mask in public, up from 42% in July, before Face Covering Bylaw.
 - 88% of Calgarians support the Face Coverings Bylaw.
 - 79% trust The City to make the right choices to re-open its services and 77% believe The City is using the right amount of caution to open its services.
 - 16% say their physical health has worsened (up from 12% in the previous month).
 - 24% say their mental health has worsened (up from 21% in the previous month).
 - 25% say their personal financial situation has worsened (consistent with 25% in the previous month).
 - Twice as many business owners/operators as other Calgarians say their personal financial situation has worsened since May 25 (43% vs. 21%, respectively).
- The unemployment rate in the Calgary Economic Region (CER) remains elevated, standing at 14.2% in August compared to 14.9% in July, 7.2% in 2020 February and 7.4% in 2019 August.
- Volumes of waste in residential cart collection programs are trending back towards seasonal norms.

The estimated net financial impact as of 2020 September 13 is an unfavourable variance of \$83 million.

The expenditure and revenue impacts of existing and potential relaunch strategies and actions have been included in this update; however, at the date of this report, not all of the potential

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activities are approved to proceed. This month's relaunch highlights include opening of an additional recreation centre and several arenas and extending assessment timelines to accommodate the impacts of COVID-19.

The updated projections below are based on the same Base Case planning assumptions as the September update (C2020-0938): 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. Projections include data from Calgary Police Service provided in 2020 July.

2020 year-end projections:

- The projected unmitigated financial gap for 2020 has changed from an initial estimate of \$145 million in 2020 April to \$166 million in 2020 October.
- The projected unmitigated year-end financial gap decreased by \$5 million since last month to \$166 million.
 - The positive financial impacts were driven primarily by improved revenue projections for Utilities (\$4 million), Taxation (\$0.1 million), revised franchise fee revenue estimate (\$0.4 million) as well as COVID-19 related cost savings by Corporate Security (\$0.2 million).
 - The positive impacts on the projected variance from September were slightly offset by higher than expected janitorial expenses in Facility Management (\$0.1 million).
- The aggregate level of savings generated from temporary COVID-19 changes decreased by \$4 million as Utilities adjusted their COVID-19 changes to reflect the updated revenue estimates and balance their internal financial impact to zero through the use of reserves.
- As a result of the above, the requirement to identify other savings to close the financial gap decreased by \$1 million to \$55 million, essentially the same as last month.
- Of the total unmitigated gap of \$166 million, \$12 million is the financial gap for the Calgary Police Service, which has not been updated from the July update. The projection will be updated after further review by the Police Commission. Other savings will need to be identified for any balance that Calgary Police Service cannot close.

While Administration continues to explore a wide range of tactics to achieve financial balance and options are in place to address the financial gap, this requires significant trade-offs, notably in impacts to services that citizens need and increased risk (for example from depleting our reserves).

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

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

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more accurate over time. Administration's next update of this information will be presented in November.

ATTACHMENT

- Attachment 1 – C2020–1080 Service Plan and Budget Update-October