

BRIEFING

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Item # 7.2.1

Chief Financial Officer's Briefing to

Combined Meeting of Council

2021 February 08

ISC: UNRESTRICTED

C2021-0147

COVID-19 Service and Financial Impacts – January Update

PURPOSE OF BRIEFING

This monthly report provides an update on COVID-19 related community impacts, current financial and service impacts up to 2021 January 18, a 2021 year-end projection based on the Base Case scenario and the COFLEX program (Attachment 1). It provides important context for service and financial decisions within 2021 and longer-term strategic choices.

SUPPORTING INFORMATION

Background

In 2020, Administration delivered six monthly updates on COVID-19 service and financial impacts. In addition, the Mid-Cycle Adjustments (MCA) in 2020 November included updated 2021 year-end COVID-19 projections (C2020-1215). Administration will continue monthly COVID-19 reporting to Council in 2021 using a variance-based approach similar to that used in 2020. To maximize transparency, the 2021 monthly reports will also be published on Calgary.ca in a more citizen-friendly format.

This report focuses on the operational service and financial impacts of our response and recovery. On 2020 March 16, Council will receive the more comprehensive 2020 Year-End Accountability Report that will report on performance against service plans and budgets.

Community Impacts

At this time, uncertainty remains high regarding the overall timeline for recovery. However signs are promising with the start of vaccine rollout and some loosening of provincial restrictions.

The City last reached out to citizens to understand the impacts of COVID-19 in 2020 November through The City's seventh Citizen Perspectives Survey. Citizen perspectives are likely to have shifted since then, considering that Calgary has experienced a second wave of COVID-19 with related increases in restrictions on gatherings and stricter fines, and more recently, a gradual easing of certain restrictions. The results of the next survey, currently in the field, will be available for the February report. A few key highlights of citizen perspectives from the November survey include:

- 93% of Calgarians report 'always' wearing a face mask in public/confined spaces, up from 42% in July, before the Face Coverings Bylaw.
- 88% of Calgarians support the Face Coverings Bylaw.
- 53% say their mental health has worsened since before the pandemic began (up from 43% in May).
- 85% of Calgarians perceive COVID-19 as a major threat to Calgary's economy

The unemployment rate in the Calgary Economic Region (CER) remains elevated, standing at 10.2% in December, well above the December 2019 unemployment rate of 6.8 per cent. The 2020 annual unemployment rate for the CER was 11.3 per cent, compared to a 7.1 per cent annual rate in 2019.

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Current and 2021 year-end projected impacts

The estimated 2020 (March 12 – December 31) net negative financial impact of COVID-19 is approximately \$74 million (excluding Police). This is primarily driven by the continuation of substantially reduced Transit ridership, closure of Recreation facilities, and lower revenue from building permits and parking. Demand for additional services continues in 30 percent of business units and all continue to adapt operations to the evolving situation.

As of 2020 November 30, the year-to-date net operating budget variance for the City was \$7.1 million favourable. The negative financial impacts associated with COVID-19 are embedded in this variance, however, savings generated through additional temporary service changes and ongoing expenditure management initiatives, as well as positive investment income returns have mitigated the financial gap. The operating budget variance as of 2020 November 30 does not include the Municipal Operating Support Transfer (MOST).

Year-end projections for 2021 have been made based on the Fall 2020 – Calgary and Region Economic Outlook 2020-2025, which assumes a continued progression to economic recovery driven by several important factors. These include the announcement of the COVID-19 vaccine, fiscal stimulus packages from other orders of government, and the resiliency gained through the learnings from the first wave of the pandemic. The 2021 economic forecasts and year-end financial projections are subject to a high degree of uncertainty.

- The net operating gap for 2021 is currently projected at \$62 million. The aggregate revenue shortfall of \$189 million and lower recoveries (\$1 million) are to be partially offset by savings and service changes of \$128 million.
- To balance the above impacts, the remaining financial gap of \$62 million will be managed through the COFLEX Program, which will enable Administration to optimize both the Municipal Operating Support Transfer (MOST) funding and other ongoing expenditure management initiatives.

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.

Economic, Financial, Health, Safety and Wellness, Reputation, and Social Impact are the 5 Priority Principal Corporate Risks that The City is closely monitoring and managing. Risk management strategies include:

- The Economic Resilience Task Force
- The Financial Task Force and SAVE program
- City's focus on employee resilience and safe work environments
- Communications that focus on health and safety
- Working with partners to respond to the emerging needs of Calgarians.

COFLEX Program

The COFLEX Program provides funding sources to help Administration respond quickly to changing demands on our services. An early example of funding to support citizens during COVID-19 is \$1.2 million for additional pathway clearing which supports physical and mental health through exercise, while protecting public health through social distancing.

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Summary

This update presents the best current estimates of the impacts to-date and in the year ahead. As more information becomes available and we progress further into 2021, there will be refinement of projections so that the emerging picture becomes more accurate over time. Administration's February update of this information will be presented to Council in March.

ATTACHMENT

1. C2020-0147 Attachment 1 – COVID-19 Service and Financial Impacts – January Update