

BRIEFING

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Chief Financial Officer's Briefing to
Combined Meeting of Council
2021 March 22

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C2021-0234

COVID-19 Service and Financial Impacts – February Update

PURPOSE OF BRIEFING

This monthly report provides an update on COVID-19 related community impacts, current financial and service impacts up to 2021 February 12, a 2021 year-end projection and the COFLEX program (Attachment 1). It provides important context for service and financial decisions within 2021 and in the longer term.

SUPPORTING INFORMATION

Background

In 2021 Administration will continue monthly COVID-19 reporting to Council using a variance-based approach. To maximize transparency, the 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. In 2021 April, Council will receive both the 2020 Year-End Accountability Report demonstrating performance towards service plans and budgets and the 2020 Annual Report outlining the 2020 financial results.

Community Impacts

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

The City last reached out to citizens to understand the impacts of COVID-19 between January 14 and 24 through The City of Calgary's (The City's) Citizen Perspectives Survey. Key highlights of citizen perspectives survey include:

- 92 per cent of Calgarians report 'always' wearing a face mask in public/confined spaces;
- 90 per cent of Calgarians support the Face Coverings Bylaw, up from 88 per cent in November;
- 55 per cent say their mental health has worsened since before the pandemic began (up from 43 per cent in May); and
- 74 per cent of Calgarians intend to get vaccinated.

The unemployment rate in the Calgary Economic Region (CER) remains elevated, standing at 10.3 per cent in January. Tax payments are expected to be more stable in 2021 compared to 2020 with 94.8 per cent of residential and non-residential 2020 tax payments received as of 2021 February 8. Bus and C-train average weekday boardings continue to be well below pre-COVID-19 levels. Calgary Transit has 28 per cent of average annual pre-COVID-19 ridership while still providing 82 per cent of pre-COVID-19 service.

Current and 2021 year-end projected impacts

The estimated negative financial impact of COVID-19 for the period of 2021 January 1 – January 31 is approximately \$6 million (excluding Calgary Police Service). This is primarily

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driven by the continuation of substantially reduced Transit ridership. Demand for additional services continues in 27 per cent of business units and all continue to adapt operations to the evolving situation.

The 2020 December 31 year-end results are being finalized and will be reported through the 2020 Annual Report and the 2020 Year-End Accountability Report.

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 announcement and rollout of the COVID-19 vaccine, fiscal stimulus packages from other orders of government, and 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 \$60 million. The aggregate revenue shortfall of \$194 million is partially offset by expenditure savings and service changes of \$134 million.
- To balance the above impacts, the remaining financial gap of \$60 million will be managed through the COFLEX Program, which will enable Administration to optimize both Municipal Operating Support Transfer (MOST) funding and other ongoing expenditure management initiatives.

The pandemic and our response to it continues to be dynamic and our aim is to remain flexible in our responses. Given some uncertainties, Administration continues to explore a wide range of tactics to achieve financial balance, including the potential for options that may require trade-offs in services that citizens need and expect. We will continue to report to Council on a frequent basis.

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 Downtown Strategy;
- The City-Wide Growth Strategy: Industrial;
- The Economic Resilience Task Force;
- The Financial Task Force and Solutions for Achieving Value and Excellence (SAVE) program;
- A focus on employee experience, resilience and safe work environments;
- Communications that focus on health and safety and speak with One Voice in response to COVID-19; and
- Working with partners to recognize and respond to the emerging needs of Calgarians.

COFLEX Program

The COFLEX Program provides funding to respond quickly to changing demands on our services. Examples of recent funding include: ensuring affordable homes remain safe and clean; opportunities for people to get outside and connect with nature; adaptive roadways to provide space for citizens to remain active and to explore the city while physically distancing; and supporting our partners also affected by the pandemic.

Summary

This update presents the most current estimates of impacts to-date and in the year ahead. As more information becomes available and we progress further into 2021, projections will be

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refined, and the emerging picture will become more accurate. Administration's March update of this information will be presented to Council in April.

ATTACHMENT

1. C2020-0234 Attachment 1 – COVID-19 Service and Financial Impacts – February Update