

BRIEFING

Page 1 of 2

Item # 7.2.1

Chief Financial Officer's Briefing to
Combined Meeting of Council
2021 April 12

ISC: UNRESTRICTED
C2021-0412

COVID-19 Service and Financial Impacts - March Update

PURPOSE OF BRIEFING

This monthly report provides an update on COVID-19 related community impacts, current service impacts up to 2021 March 12, financial impacts up to February 28, the 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, this report will be published on Calgary.ca on 2021 March 31.

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

As the first wave of vaccines have begun and the provincial government has further reduced public health restrictions on 2021 March 8, the move toward recovery gains momentum. The Provincial Government announced its commitment to implementing Step 2 of its reopening plan and Calgarians can now enjoy expanded retail capacity, college and university athletics, and adult performance activities.

The unemployment rate in the Calgary Economic Region (CER) remains elevated, standing at 10.5 per cent in February 2021, an increase of 0.2% compared to January 2021. Tax payments continue to be more stable in 2021 compared to 2020 with 95.7 per cent of residential and non-residential 2020 tax payments received as of 2021 March 10. Low interest rates are fueling higher than expected activity in Calgary's residential real estate market. The average monthly house price in January 2021 was \$518,237, the highest average monthly house price ever recorded in Calgary, the February average house price was \$490,656. Total building permit value in 2020 was \$3.5 billion, well below the 10-year average of \$5.0 billion. The forecast for total building permit value in 2021 is \$4.3 billion. Bus and C-train average weekday boardings continue to be well below pre-COVID-19 levels. Calgary Transit has 30 per cent of average annual pre-COVID-19 ridership, an increase of 2% from February, while still providing 82 per cent of pre-COVID-19 service (same as February). Taxi and rideshare trips increased in February 2021 but remain at slightly less than half (47%) of the volume of trips in January 2019.

Current and 2021 year-end projected impacts

The estimated negative financial impact of COVID-19 for the period of 2021 January 1 – February 28 is approximately \$12 million (excluding Calgary Police Service). This is primarily

BRIEFING

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 \$62 million. The aggregate revenue shortfall of \$201 million is partially offset by expenditure savings and service changes of \$139 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 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.

We are closely monitoring and managing the 5 Priority Principal Corporate Risks: Economic, Financial, Health, Safety and Wellness, Reputation, and Social Impact. Several of our risk management strategies include: The Downtown Strategy and the City-Wide Growth Strategy to respond to the economic risk. The Solutions for Achieving Value and Excellence (SAVE) program to respond to the financial risk. To support our workforce, we are focusing on employee experience, resilience and safe work environments. To manage social impact risk, we continue to work with partners to recognize and respond to the emerging needs of Calgarians. Our communications focus on health and safety and speak with One Voice in response to COVID-19.

COFLEX Program

The COFLEX Program provides funding to respond quickly to changing demands on our services. Examples of recent funding include: additional public safety support at high incident transit stations; and enhancement of the My Fare mobile ticketing system.

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

ATTACHMENT

1. C2021-0412 Attachment 1 – COVID-19 Service and Financial Impacts – March Update