

BRIEFING

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Item # 7.2.1

Chief Financial Officer's Briefing to
Combined Meeting of Council
2021 May 10

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COVID-19 Service and Financial Impacts – April Update

PURPOSE OF BRIEFING

This report provides an update on COVID-19 related community impacts, current service impacts up to 2021 April 16, financial impacts up to March 31, the 2021 year-end projection. It provides important context for service and financial decisions within 2021 and in the longer term.

SUPPORTING INFORMATION

In 2021 Administration will continue regular COVID-19 reporting to Council using a variance-based approach. Reports will be moving from a monthly to quarterly frequency, both to help alleviate workload on staff, and because month-over-month updates have had relatively minor changes. This report represents the Q2 quarterly report, with a Q3 report to be prepared in July and Q4 in October. To maximize transparency, this report will be published on Calgary.ca on 2021 May 6.

This report focuses on the operational service and financial impacts of our response and recovery.

Community Impacts

To combat the rapid spread of COVID-19 and variant strains, the Province announced a return to Step 1 restrictions on April 6 which will remain in place until further notice. Variant strains of COVID-19 now account for more than half of all active cases in Alberta.

The City reached out to citizens to understand the impacts of COVID-19 through a Citizen Perspectives Survey conducted from March 11 to 19, some notable results include:

- 83% support the Face Coverings Bylaw (down from 90% in January)
- 61% think “the worst is behind us” (up from 36% in January)
- 53% find it stressful to be in public (down from 62% in January)
- 73% of Calgarians intend to get vaccinated

The unemployment rate in the Calgary Economic Region (CER) remains elevated, standing at 10.4 per cent in March 2021, a decrease of 0.1% compared to February 2021. Monthly building permit value in February 2021 had risen to \$718.0 million primarily due to high activity in the commercial improvements category. Bus and C-train average weekday boardings continue to be well below pre-COVID-19 levels. Calgary Transit has 27 per cent of average annual pre-COVID-19 ridership, an increase of 3% from February, while still providing 79 per cent of pre-COVID-19 service (a decrease of 3% from February). Taxi and rideshare trips increased slightly in March compared to February, but remain at half (50%) of the volume of trips in March 2019.

Current and 2021 year-end projected impacts

The estimated negative financial impact of COVID-19 for the period of 2021 January 1 – March 31 is approximately \$13 million (excluding Calgary Police Service). This is primarily driven by

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the continuation of substantially reduced Transit ridership. Demand for additional services continues in 36 per cent of business units and all continue to adapt operations to the evolving situation.

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 \$183 million is partially offset by expenditure savings and service changes of \$121 million.
- To balance the above impacts, the 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 63 City-specific post-pandemic economic recovery activities including the Downtown Strategy and the City-Wide Growth Strategy.
- The Solutions for Achieving Value and Excellence (SAVE) program.
- The focus on employee experience, resilience and safe work environments.
- The continued work with partners to recognize and respond to the emerging needs of Calgarians.
- Focused communication on health and safety that speak in One Voice.

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.

ATTACHMENT

1. COVID-19 Service and Financial Impacts – April Update