

BRIEFING

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Item # 7.2.3.

Chief Financial Officer's Briefing to
Combined Meeting of Council
2021 September 13

ISC: UNRESTRICTED
C2021-1179

COVID-19 Service and Financial Impacts – July Update

PURPOSE OF BRIEFING

This report provides an update on COVID-19 related community impacts, current City service impacts up to 2021 July 16, City financial impacts up to June 30 and related 2021 year-end projections. This information provides Council with important context for service and financial decisions within 2021 and in the longer term.

SUPPORTING INFORMATION

In 2021, Administration has provided regular COVID-19 reporting to Council using a variance-based approach, similar to 2020. Given the recent lifting of Calgary's State of Local Emergency on 2021 June 14, the Province's entry into Stage 3 of the Open for Summer plan and the lifting of the Face Coverings bylaw on 2021 July 5, ongoing quarterly reporting on COVID-19 impacts will not continue. This report will be the last COVID-19 Service and Financial Impacts Update, although other information relevant to COVID-19 will continue to be posted on Calgary.ca. Administration will consider re-starting this specific report if The City's operating environment changes significantly due to new pandemic developments.

This report focuses on the operational service and financial impacts of our response and recovery during the second quarter of 2021. To maximize transparency, this report will be published on Calgary.ca on 2021 August 5.

Community Impacts

The most recent data reflects that in June 2021 the unemployment rate in the Calgary Economic Region (CER) remained elevated, at 9.1 per cent, an increase of 0.2% compared to 2021 May. After a spike to \$718.0 million in February, monthly building permit value was \$474.4 million in 2021 May, more in line with historical levels, but slightly higher than 2020 May and 2019 May. The February spike was due to major projects related to the BMO Centre expansion.

Bus and C-train average weekday boardings continue to be well below pre-COVID-19 levels. Calgary Transit has 31 per cent of average annual pre-COVID-19 ridership, while providing 80 per cent of pre-COVID-19 service. Taxi and rideshare trips decreased in April and again in May, compared to 2021 March, and remain at approximately half of 2019 levels.

The City reached out to citizens to understand the impacts of COVID-19 through a Citizen Perspectives Survey conducted from 2021 May 6 to 13. Some notable results include:

- 69% think The City's response has been "helpful" (down from 76% in March)
- 62% think The City's response has been "quick enough" (down from 74% in March)
- 71% have had or know someone who has had COVID-19 (up from 63% in March)
- 76% of Calgarians intend to get vaccinated¹ (among those not already)

¹ This survey question was not asked in the same way in the March Perspectives Survey

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Current and 2021 year-end projected impacts

For the period of 2021 January 1 – June 30, the negative financial impact of COVID-19 resulted in an unfavourable variance of approximately \$31 million. This figure includes impacts on Corporate Programs, which were not reported on in Q1 2021. This negative variance is primarily driven by the continuation of substantially reduced transit ridership and the impact of the pandemic on the utilization of recreational facilities. Increased service demand continues in 38 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 Spring 2021 – Calgary and Region Economic Outlook 2021-2026, which assumes a continued progression to economic recovery. The overarching assumptions behind the most recent economic forecast are:

- COVID-19 vaccines will be widely administered this summer or fall.
- The Bank of Canada can keep its core interest rate low until the end of 2022.
- Fiscal policy measures implemented by all levels of government are effective in helping individuals and businesses until economic growth is sustainable.
- There is no structural damage to Calgary's economy from the COVID-19 pandemic.

The 2021 economic forecasts and year-end financial projections continue to be subject to a high degree of uncertainty.

- The net operating gap for 2021 year-end is currently projected at \$10 million. The projected aggregate revenue shortfall of \$177 million is partially offset by expenditure savings and service changes of \$167 million. The projected gap is substantially lower than the last reported figure as we have refined our projections around contingencies. Utilizing these newly available contingencies will help address both a substantial part of the current \$31 million gap as well as some of the projected impacts for the rest of 2021.
- To balance the above impacts, the financial gap of \$10 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. 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 monitor the situation and report back to Council if there are significant new developments.

We are also closely monitoring and managing the 5 Priority Principal Corporate Risks: Economic, Financial, Health, Safety and Wellness, Reputation, and Social Impact. The City's risk management strategies include:

- The City's 63 post-pandemic economic recovery activities including the Downtown Strategy and the City-Wide Growth Strategy.
- The Solutions for Achieving Value and Excellence (SAVE) program.
- Closely monitoring The City's financial situation.
- A focus on employee experience, resilience and safe work environments.
- Continued work with partners to recognize and respond to the emerging needs of Calgarians.

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- Focused communication on health and safety that speaks in One Voice and strengthens public trust by effectively telling our story of high quality, affordable services.

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(S)

1. Attachment 1 – COVID-19 Service and Financial Impacts – July Update