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Presented by: Diane McMordie, Director Finance & Assessment/CFO

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Attachments: 1. COVID-19 Forecast - May 19, 2020 (5)

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TAMRMS#: B06

COVID-19 Financial Scenarios

Presented by: Diane McMordie, Director Finance & Assessment/CFO

RECOMMENDATION(S)

1. That the May 19, 2020 agenda report titled "COVID-19 Financial Scenarios" be received as information.
2. That Administration provide monthly financial updates as more revenue and expense data becomes available and modelling is refined, to inform any further financial management decisions required of Council.

PURPOSE OF REPORT

To provide Council with an updated financial scenario, based on an October 1, 2020 estimate for the staged re-opening of facilities included in Phase 3 of the provincial relaunch strategy.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

N/A

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

N/A

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

N/A

BACKGROUND AND DISCUSSION

For the past nine weeks, the organization has been faced with many directives and decisions related to the suspension of various municipal services to help support our community as the world continues to battle the COVID-19 pandemic.

From a financial perspective, these directives/decisions are having the impact of reducing our non-tax revenue streams, deferring cash inflows, as well as generating the need to incur additional costs to support our overall response to the incident. To date the overall impact of the response is estimated at \$1.8 million. The deficit reported is generally associated with non-tax revenue impacts and COVID-19 related expenses offset by decreased expenses associated with facility closures and program cancellations.

Administration has committed, and continues to commit, significant effort into the development and implementation of financial measures to offset the most recent forecasted deficit of ~\$6 million for 2020.

On April 30, 2020 the Province of Alberta released the Provincial Relaunch Strategy which lays out the conceptual re-opening of our communities and economy over a series of 3 stages. The most significant municipal facilities, namely recreation and cultural facilities, are included in Phase 3 of the provincial plan however there is not yet even a tentative date for implementation of Phase 3.

Because there has been little new definitive information related to the ultimate re-opening of Phase 3 facilities since the last financial forecast presented on April 20, 2020, there have been only minimal adjustments in the model impacting the assumptions driving the forecast specifically related to facility and program closures. What has now been integrated into the forecast are the mitigating strategies, equating to \$2.7 million, that have been approved for implementation to date. Some of these measures and other identified savings include:

- Temporary lay-off of permanent staff
- Re-deployment of permanent staff (to offset some seasonal staffing costs)
- Elimination of the corporate vacancy pool
- Elimination of all inside worker salary adjustments for 2020 including some allowances
- Reduction of Learning & development support
- Vacancies (non-COVID related) not previously identified
- Other facility savings not previously identified such as electricity savings.

After the integration of these measures, the revised forecast is a deficit of \$3.9 million as detailed in the attachment titled "COVID-19 Forecast - May 19, 2020".

Administration continues to pursue further opportunities for expense reductions and program decisions and this work is at various stages of completion. Some of these items will ultimately require Council approval prior to implementation. It is expected that the June financial scenarios update to Council will be able to include a more inclusive picture of how, and the extent to which, Administration proposes to offset any projected deficit.

In light of tentative re-launch plans, one of the challenges we face in terms of forecasting is the additional costs that will be incurred to support the re-opening of municipal facilities. While eventually

public health orders will be amended to allow for the opening of Phase 3 municipal facilities, it is reasonable to expect that enhanced processes including cleaning protocols and Personal Protective Equipment will also be required. While this will likely become the “new normal” for an undetermined amount of time, these costs would be in excess of our typical operating costs. The forecasts under the “Direct Incident Response” have included an increase in these costs for September forward to recognize this reality, however there is no real way to estimate these costs with any degree of confidence until operating protocols and recommendations are understood.

The financial scenario presents a relatively “best case” scenario with re-open date of October 1, 2020. Possible future pressures could include a second wave of the virus causing subsequent closures and/or deep economic impacts -- locally, regionally and provincially -- impacting both residents and businesses. St. Albert’s internal Corporate Recovery Team as well as Council’s Recovery Task Force will be working over the coming months to assess and plan for these potential scenarios.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

None

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

Financial forecasts are developed based on assumptions driven by a wide variety of information believed to be the best available at the time. Actual results may vary from the forecast.

Legal / Risk:

None at this time

Program or Service:

None at this time

Organizational:

None at this time

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Council could direct Administration to implement measures not currently being contemplated.

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