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

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TAMRMS#: B06

2020 Financial Forecast - COVID-19 Facility Re-openings

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

RECOMMENDED MOTION

That the August 17, 2020 report titled “2020 Financial Forecast - COVID-19 Facility Re-openings”, be received for information

PURPOSE OF REPORT

To provide Council with an updated 2020 financial forecast given the Province of Alberta decision to move to Stage 2 of the relaunch strategy and Council’s decisions on June 29 and July 6, 2020 for the phased re-opening of municipal facilities and programs.

ALIGNMENT TO PRIORITIES IN COUNCIL’S STRATEGIC PLAN

N/A

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

Many services and service levels were significantly impacted by COVID-19 through the mandated closure of many civic facilities, suspension of various programs, and decisions related to the desire to offset the anticipated resultant deficits.

The phased re-opening of facilities and programs and staff re-entry into normal work spaces seeks to return services and service levels back to more normal operations.

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

On June 29, 2020 Council passed the following motion:

(AR-20-163)

That the attached detailed plan for re-opening of recreation facilities, under modified services and service levels, be received for information;

That the following timetable be approved for facility re-opening:

- Re-opening of Servus Place Fitness Centre as early as the week of July 19 - 25
- Re-opening of Servus Place Arenas (3) as early as the week of July 19 - 25
- Re-opening of Servus Place Artificial Turf (1) as early as the week of July 19 - 25
- Re-opening of Fountain Park Recreation Centre as early as the week of August 2 - 8, and the
- Re-opening of Jarome Iginla and Kinex Arenas as early as the week of August 9 - 15

On July 6, 2020 Council passed the following motions:

(AR-20-233)

That the following recreational facilities/programs/services are approved for re-opening to the public, during the indicated time periods:

- Servus Place remaining facilities, programs and services that had not previously been re-opened, as early as August 29 - September 5, 2020
- Community Clubhouses as early as August 29 - September 5, 2020

That the following cultural facilities/programs/services are approved for re-opening to the public, during the indicated time periods:

- Arden Theatre professional programming (including family programming) as early as October 1, 2020
- Arden Theatre rental events as early as October 15, 2020

That the CAO is directed to take into account at a minimum the following factors that Council considers to be important policy and governance considerations, when instructing Administration on preparation of plans for re-opening the full range of municipal facilities, programs and services that were closed during the initial stages of the COVID-19 pandemic:

- Public desire for a return to service levels as close as possible to pre-pandemic, as soon as can reasonably be achieved.
- Public desire to avoid increasing property taxes in 2021 and following years while the economic impact of the pandemic continues to put the livelihoods of many of our residents, and the viability of many of our businesses, at risk.
- The City's current financial situation, including the probability that the City will face a significant budget deficit in 2020 due to unanticipated costs and diminished revenues associated with pandemic response, and the need to ensure that the amount of that deficit

carried forward to 2021 is minimized.

- The need to ensure that both the public and City staff are kept reasonably safe from the risk of COVID-19 transmission, when accessing re-opened City facilities, programs and services.
- The need to ensure that reasonable steps are taken to inform all persons who access or are considering accessing re-opened City facilities, programs and services of the risks of contracting the COVID-19 virus and of steps each person individually can take to minimize that risk.
- Applying a reasonable and achievable standard of “high levels of sanitation and personal hygiene” in complying with section 4(c) of Chief Medical Officer of Health Order 25/2020, when formulating and implementing plans for re-opening City facilities, programs and services.
- Making optimum use of available human and financial resources when determining “the extent possible” in complying with section 4(d) of Order 25/2020.
- Building in alternatives and contingencies to allow for flexible and rapid response to changes in circumstances, including without limitation any material changes to reported rates of COVID-19 infections, particularly in Alberta and in the Edmonton area specifically.
- Respecting the guiding principles for re-opening recreational and cultural facilities, presented to the Emergency Advisory Committee at its meeting on June 11, 2020.
- The City of St. Albert’s commitment to universal accessibility and enabling persons with varying abilities and ages to access programming.

BACKGROUND AND DISCUSSION

Starting March 13, 2020 and in the days afterwards, at the direction of Council, The City of St. Albert shut down many civic facilities and programs in response to the COVID-19 pandemic.

While this swift action was required to ensure the safety of our residents and staff, it has had the effect of significantly and negatively impacting our non-tax revenue streams as well as requiring the corporation to incur significant unbudgeted costs while responding to the event.

In April and May of 2020, Council was presented with a high-level estimate of the potential impact on our 2020 financial position based on various recovery scenarios. At this point it was completely unknown as to when facilities and programs would be permitted to resume and under what potential restrictions.

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. At this time, our major recreational and cultural facilities were to be included in Stage 3, so the City was anticipating a potential re-opening in the fall.

On June 9, 2020 the Province of Alberta announced that it would move to Stage 2 of the Provincial Relaunch Strategy effective June 12, 2020. More significant than the earlier than anticipated move to Phase 2, the Province shifted the ability to re-open many of our facilities and programs into this phase.

Upon receiving this notification, the City quickly began the process of identifying and understanding the following:

- guidance documents in relation to things like physical distancing, sanitation, gathering sizes,

and cohort rules

- Sport and community partner organization readiness to return to sport/activity
- Engineered and administrative controls that would be required in each individual facility to support re-entry in a safe manner and consistent with provincial guidelines.

On June 11, 2020 the Emergency Advisory Committee (EAC) reviewed the following guiding principles to plan for the re-opening of recreational and cultural facilities:

- Outdoor facilities will be prioritized over indoor, to extent feasible.
- Facilities will be brought back when they are ready and using cost-recovery to the extent possible.
- Identify what regional partners are doing and consider the impacts of our decisions.
- Where possible, prioritize re-openings to meet the demand of user-groups.
- Impacts to service levels and resource capacity will be considered.
- Organizational risk and responsibilities.

Based on these guiding principles, Administration developed re-opening plans for recreation and culture, along with a financial analysis for each facility/program. Council received the plans as they then were, for information, at the regular council meetings on June 29 and July 6, 2020. A copy of these plans can be found in the attachments titled "Recreation Facilities Re-Entry Plan" and "Cultural Facilities Re-Entry Plan". At the same time Council gave specific and detailed policy guidance for the final content of not only these plans, but all plans related to re-opening of any City facility or program or service that had been closed during the initial stages of the pandemic.

The approval for specific opening dates for each facility/program helps form a more solid base upon which to develop a financial forecast. That being said, in accordance with Council's policy guidance the City is not opening facilities to operate in the same way that they operated before the closures. While every attempt has been made to recognize a phased recovery to our revenue streams, there are still many unknowns that may cause our year end financial position to differ (either positively or negatively) from the attached forecast. Some of these factors include:

- Customers readiness to return to facilities/programs
- Residents may be facing financial challenges
- Advertising/sponsorship revenues may be impacted due to the financial challenges facing many businesses
- Increasing numbers of cases or a full "Second Wave" which could cause facilities to operate under stricter guidelines or to close again.

The attached forecast currently estimates the City's deficit to be \$498 Thousand.

The pandemic has created a total financial impact of \$14.4 Million against the approved budget. This impact is made up of 2 major components:

In Millions

Lost Revenues

Recreation	\$5.4
Culture	\$0.9
Transit	\$2.7
Other	<u>\$3.7</u>
	<u>\$12.7</u>

Response Costs \$1.7

Total Impact \$14.4

Within days of the pandemic forcing the closure of our facilities, Administration began identifying and making decisions on services and service levels and other measures that could be employed to mitigate the financial impacts identified above. In support of this approach, Council also supported recommendations for the cancellation of various projects and programs. Some of the methods employed include (up to an estimated \$13.9M):

- temporary layoff of casual staff in the impacted programs
- temporary layoff of permanent staff
- redeployment of permanent staff (to offset seasonal staffing in Public Works/Utilities)
- reduced turf maintenance
- elimination of budgeted increases for staff (both cost of living and step adjustments)
- reduction of learning and development supports to staff
- holding of vacancies
- reduction to contract transit hours to reflect reduced ridership
- elimination of previously approved (but not started) Public Art projects as well as the 2020 allocation to public art.
- cancellation of the 2020 Mayor's Celebration of the Arts
- multiple funded operating projects
- some 2020 operating grant programs

Previous forecasts focused solely on the estimated revenue losses (and offsetting expense reductions) of the three (3) main impacted departments of Recreation & Parks, Community Services, and Transit.

This current forecast is much more comprehensive and includes impacts and forecasts for all City departments. These forecasts include additional revenue losses from cancellation of fees and reduced activity as well as savings that materialized due to most staff working from home. These include such things reduced electricity and water consumption in most buildings and reduced costs for printing/paper as staff incorporated new electronic methods into their work.

Through all of these measures the City is forecasting that we will be able to offset the impacts of COVID-19 to the tune of \$13.9 Million, leaving a forecasted deficit of only \$498 Thousand.

At the regular Council meetings on March 13, March 23, April 6 and June 15, Council approved up to \$2.4 million from the Stabilization reserve to support the direct costs of responding to the pandemic. The current direct response costs as noted above are \$1.7 Million; however, if the current

consolidated forecast holds true, the entire amount of this approval may not be necessary.

While the provincial relaunch strategy is well underway and is proceeding somewhat as planned, it is important to recognize that we continue to live in very uncertain times. The forecast presented today is based on the current state of the pandemic, the current guidelines from the Medical Officer of Health and various assumptions surrounding resident's readiness to return. Should there be significant changes in any of these factors, such as a second wave of the virus, the City's financial situation could change quite quickly so we need to remain nimble and be prepared to act quickly if warranted.

2021 budget and beyond

Administration has begun the process to understand the lingering impacts that COVID-19 may have on our operating expenses and revenue shortfalls as we move into 2021. Any forecasted deficit will need to be managed by way of tax increase, increased fees, reductions in service levels, new revenue opportunities, reserve transfers, other government contributions or a combination of all six.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

None

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

None at this time

Legal / Risk:

The Council motion of July 6, 2020 providing specific and detailed policy guidance to Administration relative to facility re-openings, has significantly lowered the City's risk of liability since a municipality is generally not liable for outcomes of decisions made at the policy level.

Program or Service:

None at this time

Organizational:

None at this time

ALTERNATIVES AND IMPLICATIONS CONSIDERED

None at this time

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