



Legislation Text

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TAMRMS#: B06

Financial Shortfall Strategies

Presented by: Diane McMordie, Director, Finance & Assessment

RECOMMENDATION(S)

1. That operating carryforward projects totaling \$553,400 as detailed in the attachment titled "Operating Carryforwards" be cancelled/reduced and the associated reserve funding be reallocated to the 2020 general operating budget to offset any deficit that may arise due to the financial impacts of COVID-19.
2. That the 2020 operating and capital grant programs totaling \$403,900, as detailed in the attachment titled "Operating and Capital Grants", be suspended for 2020 and the funding be reallocated to the 2020 general operating budget to offset any deficit that may arise due to the financial impacts of COVID-19.
3. That public art projects totaling \$154,900 as detailed in the attachment titled "Public Art Projects" be cancelled/reduced and the associated reserve funding be reallocated to the 2020 general operating budget to offset any deficit that may arise due to the financial impacts of COVID-19.
4. That the transfer of \$227,100 to the Public Art Reserve be reallocated to the 2020 general operating budget to offset any deficit that may arise due to the financial impacts of COVID-19.

PURPOSE OF REPORT

This report provides an overview of the strategies identified by Administration and proposed tactics to help the City in offsetting the predicted \$7M financial shortfall as a result of City of St. Albert's response to the COVID-19 pandemic. As several of the recommendations involve the transfer of approved dollars from reserves, Council approval is required as per policy C-FS-01 Financial Reserves.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

N/A

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

Corporate Business Planning - Stewardship of the Corporate Business Plan and work with all Departments to ensure that they have the knowledge and tools they require to align their business planning processes to the strategic planning framework and assist and support where necessary.

Financial Planning - Stewardship of development of annual operating and capital budgets for Municipal and Utility operations. The approved operating and capital budgets shall serve as the financial plan for the City and provide Administration with the direction and resources necessary to accomplish Council's strategic direction and Council approved services and service levels in accordance with the Services and Service Levels Inventory.

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

N/A

BACKGROUND AND DISCUSSION

In April 2020, Administration prepared a preliminary forecast to communicate the potential deficit that the City could be facing in 2020 as a result of COVID-19 which was estimated at approximately \$7 million including some cascading effects into 2021. This initial scenario was based on an assumption that facilities would re-open on October 1. In light of this situation, Administration has explored available options to reduce this deficit through internal means rather than depending on residents and businesses through increased tax revenue.

On Tuesday June 9, 2020, the Province of Alberta announced an earlier than planned start for the Phase 2 relaunch and moved many activities originally planned for Phase 3 into Phase 2. Given this new information along with guidance documents detailing continued restrictions, Administration is working to understand when and under what circumstances we plan to open our facilities and services. While many assumptions about capacity and utilization will still need to be made, the details provided by the Province will allow for a more accurate assessment of the financial impact.

The following provides a summary of findings from Administration's review to reduce the overall financial shortfall:

Review of Expense Reduction

a) Elimination/Reduction of Operating carry forward projects

Departments identified \$553,400 in one-time savings from operating carry forward projects to offset the City's deficit as identified in the attachment titled Operating Carry Forwards. It is important to recognize that these funds would no longer be available for the purpose intended. The recommendation to cancel/reduce carry forwards recognizes the current economic environment and changing priorities. As these projects are tagged with funding from reserves, Council approval is required to redirect the funds to offset the projected deficit.

b) Suspension of Selected Grants for 2020

Administration identified \$403,900 in grants, for consideration of Council, not to be awarded for 2020 and utilized to offset the deficit as identified in the attachment titled "Operating and Capital Grants". The recommendation takes into consideration the limitations of the current health

restrictions that limit the opportunities to award grants or programs that the grants were intended for have been suspended. It is important to note that the grants intended for vulnerable individuals are not being recommended for elimination. This would be a temporary suspension of these grant programs/funds for the 2020 year only.

c) Corporate and Department budget reductions

Administration originally identified \$5,918,000 in one-time corporate and department savings which include:

- vacancies, redeployments and layoffs *
- rewards and recognition and learning and development (Actioned, directives have been issued and staff notified)
- leadership team vehicle allowances (Actioned, directives have been issued and staff notified)
- merit increases and corporate vacancy pool (Actioned, directives have been issued and staff notified)
- department savings from services not being offered and closed buildings*

* Given the early reopening of facilities and programs, these items will need to be re-estimated. The extent of the savings achievable may be significantly reduced due to the requirement for early recall of laid off and redeployed staff. Some of the other departmental savings such as utilities in larger closed facilities will not occur as the facilities re-open.

The expense reductions consider the current economic environment and changing priorities which requires resources to be shifted to emergent needs. The reductions are provided to Council as information to communicate initiatives in progress towards reducing the impact of the financial deficit.

Identified cost savings and revenue opportunities within program & service delivery

Administration has utilized the Priority Based Business Planning and Budgeting tool (PBB) to identify potential program and service opportunities to generate new revenue and/or to reduce expenses. Further review and analysis are required to determine the impact on services and service levels and the actual amount of savings should changes to services be made.

There is an opportunity to reduce the Public Art service temporarily in 2020 by reallocating \$382,000 to the deficit, which includes:

- 2020 Public Art reserve transfer of \$227,100
- Eliminate the Butterfly Project of \$30,000
- Eliminate the Northridge Gazebo Project of \$80,000
- Reduce the Diversity and Inclusion Project by \$44,900

As these projects are tagged with funding from reserves, Council approval is required to redirect the

funds to offset the projected deficit.

The exercise also identified a number of opportunities to optimize delivery of services, with process improvement and automation and use of alternate service delivery models, which would also result in resource efficiency and additional long-term cost savings. These opportunities will be further explored through the City's regular Program and Service review efforts guided by Council Policy C-CAO-15 Program and Service Review and some through the upcoming Organizational Review.

Administration is working to understand the financial impacts of an early but staged re-opening and a revised forecast will be presented to Council as soon as practicably possible. There is a possibility that an earlier reopening coupled with restricted programming could result in a deficit greater than that originally projected. Should this be the case, further measures and/or strategies for addressing the deficit will need to be explored.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

N/A

IMPLICATIONS OF RECOMMENDATION(S)

Financial: Administration has identified \$7.3M in one-time savings in 2020 due to services and departments not being in full operation however some of these savings will be reduced with the early reopening of facilities and programs.

The overall financial shortfall of \$7M may increase or decrease depending upon the timing and extent of the City's suspension/re-introduction of services but the City has taken necessary steps to address the current financial shortfall.

Legal / Risk: N/A

Program or Service: Some programs will not be delivered in 2020 or delivered with reduced service levels as a result of the health restrictions, changes in the external environment and priorities.

Organizational: Some of the temporary cost reductions will have impact on employees in 2020 and may slow down recruitment for emerging positions due to reduction in budget for the vacancy pool.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

N/A

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