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COVID-19 Financial Impacts and Funding Strategy Update

Financial & Corporate Services
City Council
July 6, 2020

Agenda

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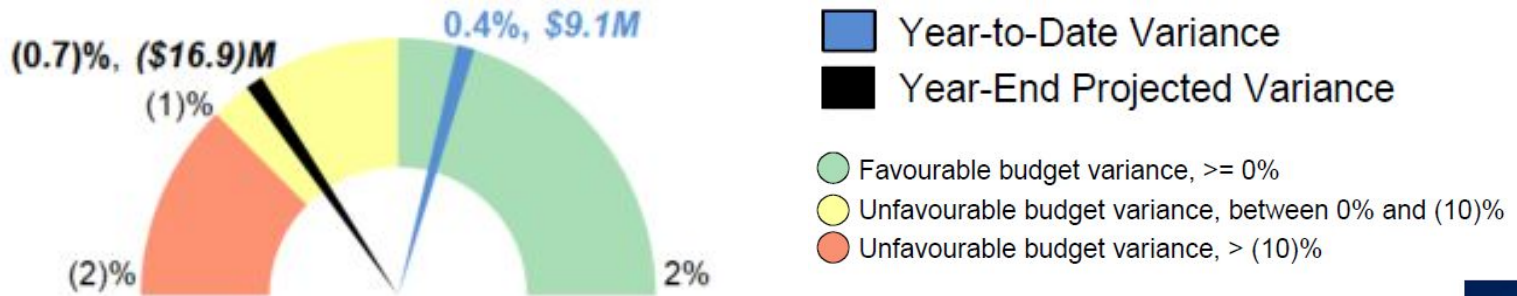
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Operating Financial Update

May 31, 2020

Tax-Supported Operations Adjusted for COVID (Excluding Police Services)



COVID-19 Long-Term Financial Forecasts

May 31, 2020

2020 - 2021 COVID-19 Impacts Corporate - Revenues & Additional COVID Costs Only				
(\$ millions)	2020			2021
Revenue Reduction & COVID Costs	Best Case	Probable	Worst Case	Probable
Tax-Supported	(118.9)	(133.5)	(156.2)	(92.2)
Development Services	(11.3)	(15.0)	(18.7)	(9.6)
Waste Management	(5.1)	(5.4)	(5.7)	(0.7)
Investment Earnings	-	-	-	(11.7)
COVID Costs	(15.4)	(18.0)	(20.8)	-
Total (Revised Forecast - July 6)	(150.7)	(171.9)	(201.3)	(114.2)
Total (Original Forecast - April 27)	(93.5)	(163.7)	(252.3)	

* Negative figure reflects unfavourable variance from original approved pre-COVID-19 budget.

COVID-19 Long-Term Financial Forecasts

May 31, 2020

2020 - 2021 COVID-19 Impacts Tax-Supported Operations - COVID-19 Funding Shortfall

(\$ millions)	2020				2021	
	Original Probable (April 27)	Tax Increase	Revised Probable (July 6)	Tax Increase	Probable	Tax Increase
Revenue Reduction	(127.5)	7.6%	(133.5)	8.0%	(92.2)	5.3%
Expense Reduction	(81.0)	(4.0)%	(66.8)	(4.0)%	(7.0)	(0.4)%
Funding Shortfall <i>(Before Capital Reduction)</i>	(46.5)	2.8%	(66.7)	4.0%	(85.1)	4.9%
Capital Reduction	(46.5)	(2.8)%	(46.5)	(2.8)%	-	-
Funding Shortfall	-	-	(20.2)	1.2%	(85.1)	4.9%
	Approved Tax Increase				(55.4)	3.2%
	Reduction to Achieve 0% Tax Increase in 2021				(140.6)	8.1%

Principles to Address COVID-19

Financial Impacts



SAFETY - The public's safety is a top priority.



COMBINATION OF TOOLS - Revenue reductions will be addressed with a combination one-time funding as well as strategic decisions on spending/service reductions.



LONG RANGE FOCUS - Address the short term issues but be mindful of the impact on the municipal corporation's long-term financial sustainability.



LOCAL ECONOMY - Continue to support stabilization of the local economy.



HONOUR RELATIONSHIPS - Workforce strategies will be fair and respectful.



CITY BUILDING - Evaluate for 2020 and beyond to determine what advances.



DEMONSTRATE EMPATHY - Limit tax increases for Edmontonians.

Priority Based Budgeting

Update

**Areas of Possible Reduction*

Advancement of parts of Priority Based Budgeting to assist with 2021 and 2022 budget strategies:



Capital Budget Prioritization Criteria

- Projects with minimal expenditures or no spending to date
- Tax-supported debt, pay-as-you-go
- Growth before renewal
- Non-critical infrastructure/Limit safety risks
- Limit impact on external grant funding
- Facility closures

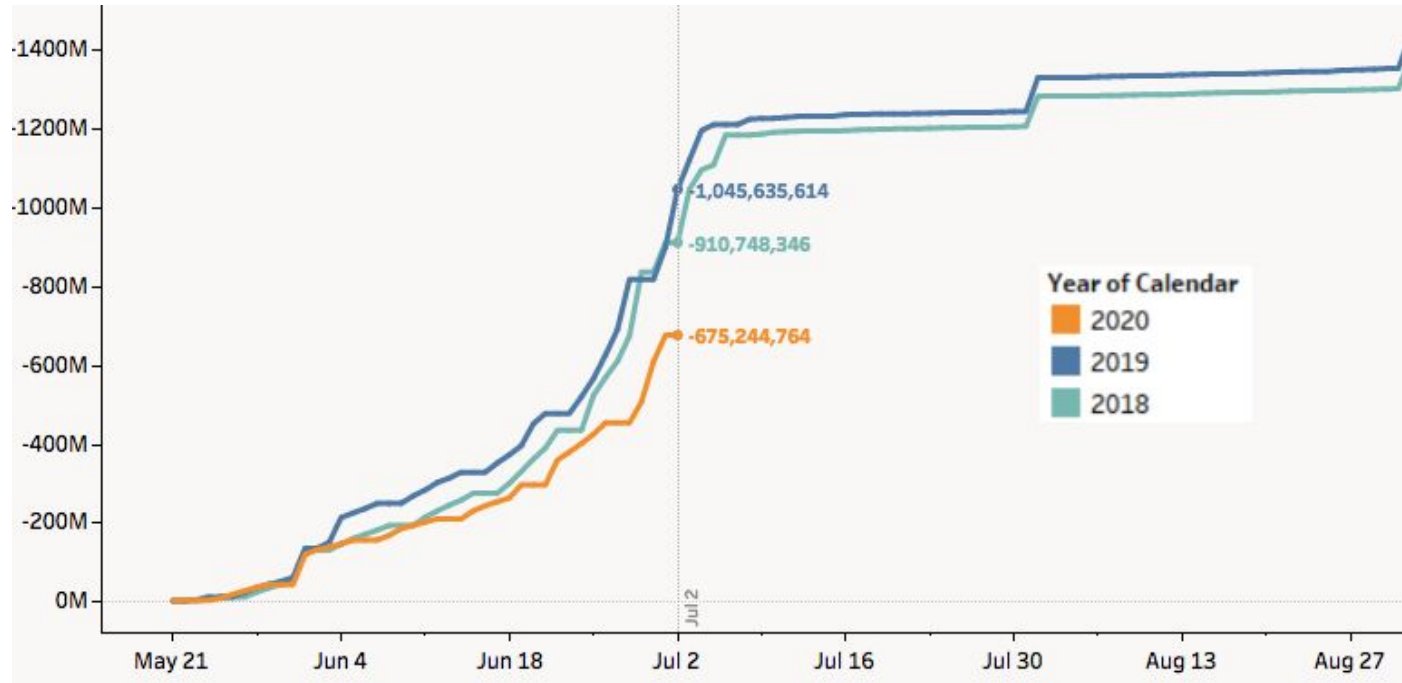


Operating Budget Prioritization Criteria

- Mandated to provide program
- Reliance on City to provide program
- Change in demand for program
- Cost recovery of program
- Efficiencies generated by program
- Using current approved programs/services

Tax Revenue Collection

Overview



Assessment Growth

- Value of residential property expected to fall 0-10% on average
- Non Residential value change more significant
- Volatility generally leads to assessment complaints
- Budget for assessment complaint losses may need to be increased
- Slower activity will impact supplementary assessments:
 - slow down sharply in 2020, and may not recover until 2022
 - 50% or greater decline in construction could see supplementary revenue loss of \$2-\$3M
 - Edmonton's revenue from supplementary assessments was \$5.73M
- Post-COVID growth in 2021 will likely be between \$18M and \$25M, resulting in an overall revenue decrease of \$9M to \$16M

Next Steps

Overview



SOBA/SCBA Fall

(Nov/Dec 2020)

- Revised COVID-19 Long-Term Financial Impacts
- Prioritized Capital and Operating Budgets (Partial)
- Approve 2020 Fall SOBA and SCBA
 - Recommendations to achieve 2021 target tax increase and address 2021 COVID funding shortfall (including capital reductions)
 - Approve 2021 tax increase

Preliminary Year-End Financial Results & Spring SOBA

(Mar/Apr 2021)

- Revised COVID-19 Long-Term Financial Impacts
- Approve strategy to address actual COVID-19 2020 funding shortfall
- Approve 2021 Spring SOBA
 - Additional strategies to address 2021 COVID funding shortfall (if required)
 - Finalize 2021 tax increase

Questions?