

COVID impacts on 2021 budget and beyond



The 2021 budget year is full of uncertainty as the City and the community continue to manage through the COVID-19 Pandemic. The impacts of the pandemic are pervasive to the City's services and will require us to look at how we deliver services, assess the permanency of social and legislative impacts, and plan for an extended recovery period that may take as long as five years. For this reason, the 2021 budget does not consider budget changes for COVID-19, except for the decision previously approved by Council related to Transit Services.

For 2021, staff is proposing to continue managing variances related to COVID-19 through expense mitigation strategies, shifting work plan priorities, and temporary reductions in service to offset the revenue loss. In addition, funds received through the Safe Restart Operating Stream and Transit Stream in 2020 of \$12 million have mitigated in-year deficits leaving the City's contingency reserves intact for the long-term recovery period. Council and staff acted quickly to the changing environment and as a result the City is well positioned financially to face the uncertainties in 2021; however, the City's reserves have a limit.

COVID recovery scenarios

The City partnered with a third party to complete an [analysis of City revenues](#) under various recovery models to help us project out the long-term impact of COVID on our business. Economists have attempted to describe the recovery by use of various letters.

Figure 1 - V for a short sharp recovery

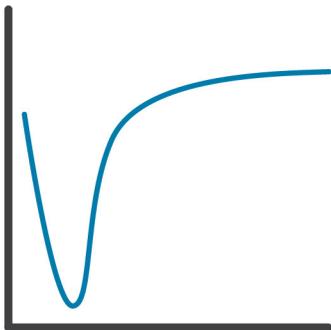


Figure 2 - U for an extended recovery

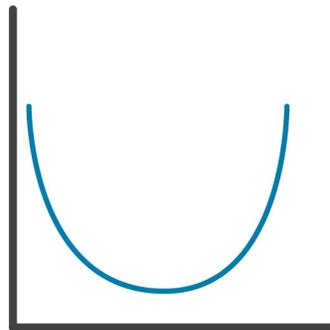


Figure 3 - W for a double dip recession

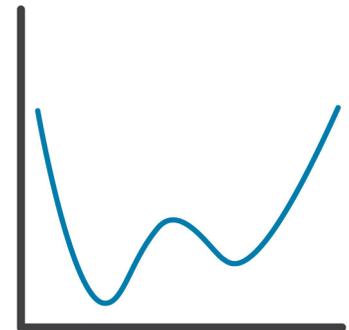


Figure 4 - L for the worst case scenario

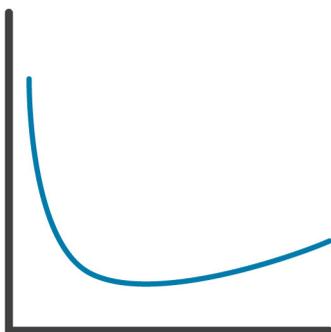
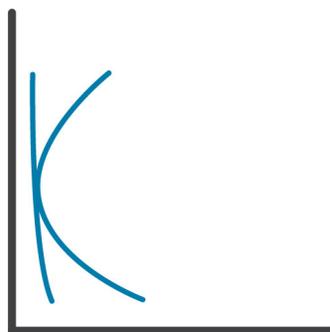


Figure 5 - K representing a two tier recovery



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The V for a short sharp recovery, U for an extended recovery, a W for a double dip recession and an L for the worst case scenario. Most recently the K representing a two tier recovery meaning certain sectors of the economy have rebounded strongly from March of 2020 (automotive sales and related supply-chain) while other sectors continue to remain depressed (hospitality). Under each of these economic recovery scenarios, City revenues from various services and programs will recover at a different pace. Growth may continue as demand for smaller urban living increases as condominium dwellers leave the Greater Toronto Area and acquire homes with greenspace in Guelph. Transit revenues may remain low and recover slowly until a vaccine becomes available; ridership in September 2020 is still 75 per cent below average. Under the V scenario revenues would return in 2021 to levels higher than 2019 which is likely not the expected outcome. Ontario has now entered the second wave and it appears revenues will be slower to return.

2021 City COVID business assessment plan

In response to the recovery uncertainty, and understanding that the City's reserves are only a temporary short-term solution for what is expected to have longer-term impacts, the City is proposing a four-part strategy to support our internal businesses to assess and respond to the changing municipal landscape.

As a foundational understanding, City staff is closely monitoring and evaluating how COVID-related impacts continue changing our municipal operations and services, which is now a reality of our daily leadership responsibilities across the organization. To support leaders in this new reality, the four-part corporate strategy includes:

1. Applying a COVID-lens to master planning, and facility and open space design—across the City, many departments are in the middle of master planning processes in order to support the provincial timelines required for an updated Official Plan or to deliver certain objectives in the Strategic Plan. Further, the City is embarking on a number of significant facility and open space projects where programming assumptions will be required to consider the long-term impacts of COVID. Examples include:
 - Digital and Technology Master Plan Quarterly, 2021
 - Parks and Recreation Master Plan Q3, 2021
 - Transportation Master Plan Q4, 2021
 - South End Community Centre detailed design Q4, 2021
 - New Central Library detailed design Q4, 2021
 - Communications Master Plan Q4, 2021
 - Operations Campus Site Plan design 2021-23
 - Downtown Parking Master Plan 2022-23
2. Applying a COVID-lens to planned policy and bylaw development—many City departments are also engaging in work that will result in updated or new policies and bylaws through 2021 for Council consideration. It is imperative that the design of these governance documents considers the social, legislative, and financial impacts of COVID. Examples include updating the Investment Policy to maximize investment returns in a depressed market, development of a Corporate Revenue Policy to guide

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appropriate use of new revenues and set user fee subsidization levels, and bylaw updates including sewer use and building permits.

3. Targeted Service Level and Service Delivery Assessments—COVID has created a financial and operational environment where current business models may no longer be sustainable. A strategic team of cross-functional leaders will be assigned the responsibility of developing an assessment framework, and then using this methodology to review specific businesses in the City. Through this process the following impacts will be documented and reported back to Council: citizen expectations and demand for the service, financial and operational risks, alternative service delivery options, and service level flexibility. The assessments in 2021 will focus on the businesses that are of the most critical financial concern for the City as a result of COVID. These assessments will be a first step in addressing the short- to medium-term financial risk and will likely result in further recommendations to investigate in more detail. This Service Delivery / Service Level Assessment approach will be used as a pilot program to effectively review services in the City on a go-forward basis. It will allow for Council engagement at various steps through the review process, defining the measurable service delivery goals, and using data to inform decisions.
4. Embedding Continuous Improvement into the City’s culture—a culturally embedded, Lean approach to continuously improving organizational effectiveness through process analysis and performance measurement, with the objective of creating capacity within the City to meet the operational and administrative demands of growth, and support the implementation of the Strategic Plan. This cultural change will be supported by the Continuous Improvement Office (CIO) through training and empowering employees across the organization to challenge the status quo with innovative, efficient process changes. The CIO will also act as an internal consultant to support larger continuous improvement projects across the organization. Considering process improvements in the wake of COVID including the need to work remotely, and having business continuity strategies in place will facilitate innovation across City departments. Semi-annual reporting to Council will begin in 2021 to demonstrate the value of this program. This represents the City’s commitment to being Future ready; to anticipate service levels of tomorrow and continuous evolution to meet these changing expectations.

One-time funding from reserves has been requested in the budget for consulting expertise in the event that professional services are required to support this COVID strategy implementation. This budget will only be accessed as required.

2021 COVID community and business response

We know COVID has also impacted our community and businesses. The City’s \$10 million Smart City award has enabled unique programs to provide businesses with grants to stimulate innovation in emerging sectors and help keep the local economic engine churning. In the 2021 budget, staff is recommending a \$700,000 one-time COVID response program for businesses in the tourism/hospitality sector as well as non-profits and charities that are working hard to deliver critical community services. The City’s capital plan provides local stimulus through projects like the Baker District redevelopment and the South End Community Centre; the community will see new jobs, an increase in housing development, improved economic vibrancy and new revenue as a result.