

## MEMORANDUM

To: Members of Committee of the Whole

From: Laura Mirabella, FCPA, FCA  
Commissioner of Finance and Regional Treasurer

Date: April 14, 2020

Re: Financial Impacts of COVID-19

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The COVID-19 crisis presents challenges to the Region and its local municipalities as they endeavor to provide high quality essential services to residents and the broader community. Initial analysis of Regional financial information suggests that unexpected costs and reduced revenues associated with the COVID-19 emergency have had a cumulative impact to date of \$13.8 million, or approximately \$3.65 million per week.

### **Regional impacts reflect adjustments to services to address the emergency response to COVID-19**

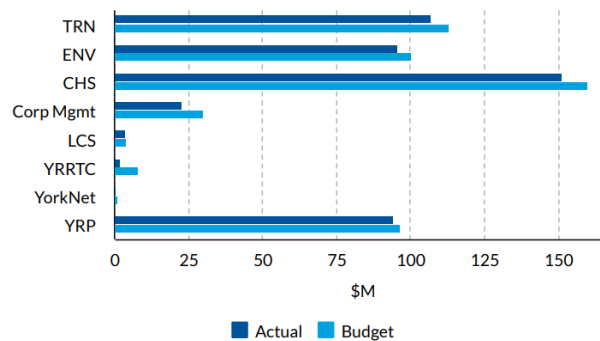
The "York Region Response to COVID-19" presentation to Council on April 2, 2020 outlined changes to some services delivered by Public Health and other Community and Health Services branches. These changes include redeploying staff to Public Health to assist with pressures related to COVID-19 case and contact management, and delivering additional social assistance through the Ontario Works program, providing emergency response needs for people experiencing or at risk of homelessness and offering emergency child care for essential workers. The Region is continuing to monitor the impacts of these changes.

Senior levels of government recently announced COVID-19 emergency response funding as detailed in the Memorandum to Council dated April 1, 2020. While information on how this funding will impact Regional costs is currently limited, the Region was recently informed it will receive \$4.98 million through the Province's new \$200 million Social Services Relief Fund. The financial impacts of this funding are not reflected in the figures included in this memo and will be included in future updates. A separate report on the Region's Social Service Response to the COVID-19 Emergency is included in the April 16, 2020 Committee of the Whole agenda package.

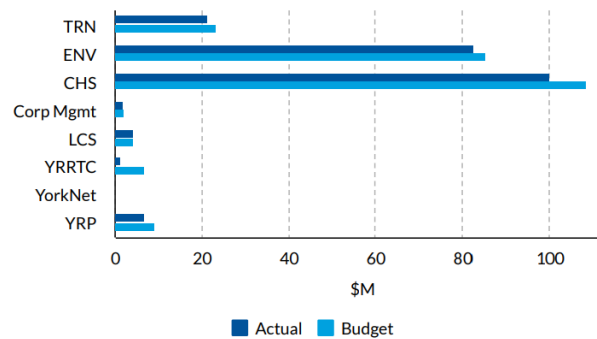
## The Region is continuing to track costs and revenues across Regional departments

The figures below illustrate year-to-date spending and revenues by department.

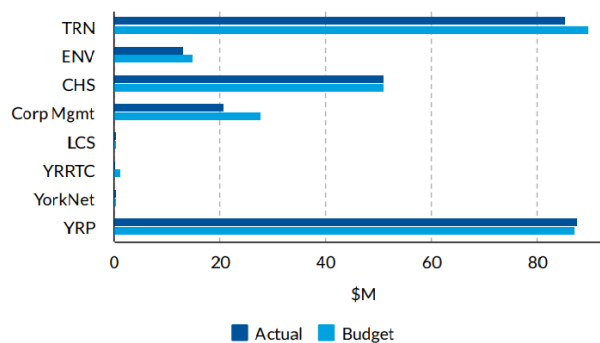
**Figure 1**  
**YTD March Gross Operating Expenditures vs Q1 Budget**



**Figure 2**  
**YTD March Revenues vs Q1 Budget**



**Figure 3**  
**YTD Net Expenditures vs Q1 Budget**



Analysis of year-to-date operating gross and net expenditures, as well as revenues versus the Q1 budget reveal that as of April 13, 2020, year-to-date spending on a net basis for March was

88.2% for the Region. Although actuals for some areas are above budgeted net expenditures, this is largely due to budget calendarization, including timing delays in the receipt of funding from other levels of government.

While expenses and revenues are generally on track, departments have indicated that the impacts of COVID-19 related budget pressures are beginning to appear, and will become more evident in the coming months.

Preliminary analysis indicates that higher costs and reduced revenues associated with COVID-19 are beginning to impact departments in a number of areas as outlined in the table below. Variances may also arise from other sources. Staff will continue to monitor the impacts of COVID-19 on the operating budget and updates will be provided as information emerges.

**Table 1**  
**Estimated Impacts of COVID-19**

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
Payroll costs	Staff-related costs resulting from COVID-19 (e.g., staff time, overtime, additional staff). Excludes banked time.	4.10	1.34
Non-payroll net costs	Includes non-staff expenditures and purchase orders (e.g., health-related materials, training)	3.90	0.78
<b>Sub-Total Direct Costs</b>		<b>8.00</b>	<b>2.12</b>
Waste management	Increased processing costs resulting from higher volume of residential waste collection	0.14	0.06
Transit	Net impact of lower revenues from reduced ridership and service reductions as of April 5 <sup>th</sup> (excludes additional facility and bus cleaning costs)	4.10	0.54
Water and Wastewater rates	Reduced revenues from deferral of the April 1 planned rate increase	1.26	0.63
Court Services	Estimated reduction in revenues from Provincial Offences fines during Courts closure. Amounts to be recovered will be determined once courts re-open.	0.30	0.30
Other	<i>To be included in future updates - Impacts where information is not yet available (e.g., other potential expenditures and savings, new initiatives)</i>	TBA	TBA
<b>Sub-Total Indirect Costs</b>		<b>5.8</b>	<b>1.53</b>
<b>Total</b>		<b>13.80</b>	<b>3.65</b>

## **Other impacts may arise from Regional initiatives, ongoing department responses, development charges and senior government revenues**

Also on this April 16, 2020 Committee of the Whole agenda, is a report entitled “Waiving Interest on Property Tax Instalments in Response to COVID-19”. This report seeks approval for the waiving of interest on any portion of property tax instalments, for the 2020 taxation year, not remitted to the Region as a direct result of a local municipality’s COVID-19 tax relief program, for a period of 90 days following the applicable Regional tax instalment due date.

If implemented and fully utilized, the waiving of interest charges for a 90-day period for each tax instalment would cost the Region approximately \$1.5 million in interest. If all four tax instalments were delayed during the year, the cost would be \$6 million. However, it is expected that the actual cost to the Region would be much lower, as local municipalities would still be expected to remit any portion of the property taxes they have collected on behalf of the Region on the normal due dates.

Information is not yet available on all programs and services impacted by the COVID-19 emergency. This could include service adjustments, closures and redeployment of resources, additional costs associated with technology and other resources, and potential savings. In addition, the figures in this memo exclude impacts associated with York Regional Police (YRP). An update for the Police Services Board is planned for April 22, 2020.

Development Charges (DC) collections are expected to be below forecasted levels for the year due to mandated closures as part of the COVID-19 emergency response. While the Region and local municipalities continue to accept building permit and other development applications, the reduction in development activities could result in lower than expected DC collections.

Funding from senior governments in response to COVID-19 may also impact costs. As noted above, details on a recent Provincial funding announcement are included in a separate report included in the April 16, 2020 Committee of the Whole agenda package.

## **The Region’s local municipalities have reported that revenues are negatively impacted by COVID-19 due to closures and cancellations**

Some of the Region’s local municipalities have also provided public estimates of financial impacts associated with the COVID-19 emergency. At a Special Meeting of Council on March 27, 2020, the City of Markham provided a report and presentation titled “COVID-19 – Financial Update.” The presentation indicated that the forecasted net deficit per month ranges from \$3 million to \$4 million, including revenue losses of \$4 million partially offset by savings in utilities, fuel and staffing vacancies. In the Special Council meeting on April 1, 2020, the City of Richmond Hill reported that the net impact of deferring water/wastewater and storm water rate increases to 2021 would be approximately \$0.9 million.

The financial impacts of the COVID-19 emergency on the Region will continue to be monitored and updates will be provided as information is available.

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Commissioner of Finance

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