



Office of the Commissioner
Finance Department

MEMORANDUM

To: Members of Committee of the Whole

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

Date: June 10, 2020

Re: Financial Impacts of COVID-19

This Memorandum provides an update to the May 12, 2020 Memorandum to Committee of the Whole summarizing financial impacts of COVID-19 on the Region. The information includes a summary of operating expenditures and revenues up to May 31, 2020 and a summary of impacts associated with the COVID-19 emergency.

As of May 31, 2020, net expenditures for Regional programs were 99.3% of the budgeted amount for the period. Total costs and reduced revenues associated with COVID-19 totalled \$50.02 million, or approximately \$4.29 million per week, on average.

If the current emergency lasts until the end of June and the recovery period continues for another six months until the end of the year, recent trends suggest the total impacts could be approximately \$129 million in 2020. This figure is higher than prior estimates due to the increase in weekly direct costs, such as payroll and non-payroll costs, and updated information on revenue impacts and payroll costs from York Regional Police, which were tracked separately.

Although current estimates are based on the best information available, there is ongoing uncertainty about 2020 impacts to the Region. The duration of the emergency, recovery stage and further actions to address COVID-19 could impact the projected cost profile. The extent of Provincial funding for York Region's public health response to COVID-19 is also unknown at this time.

As part of developing the current update, departments provided additional information on how the impacts compared to budgeted amounts and their expectations on whether the impacts could be managed within their 2020 budgets. Some of the impacts represent pressures relative to year-to-date budget amounts and are expected to be managed within department budgets by year-end, for example, costs associated with the use of existing resources. In addition, savings

are expected from hiring deferrals, reduced spending in non-essential areas, and other mitigation strategies.

Key risk areas with the potential to create year-end pressures in 2020 include transit services, York Regional Police revenues, Public Health, homelessness support programs, potential service delivery adjustments to long-term care, potential pressures in Paramedic Services related to supporting the Public Health response, and social assistance. In addition, budget pressures may arise as some Public Health staff that were redeployed to the pandemic response return to their home areas as those activities resume essential operations. This is expected to result in the need for additional staff resources to support the ongoing emergency response. Public Health has identified an initial need to fill up to 56 temporary positions in the coming months to replace the Public Health staff returning to their essential operations. Backfilling 56 positions for the remainder of 2020 could result in an impact of approximately \$3.0 million. Additional staffing needs may be identified as other redeployed staff may be needed in their home departments. Further information on the status of resource needs in Public Health will be included in a communication to Council later this month.

Based on current Provincial direction, Court Services may be required to resume some form of service delivery beginning on July 6, 2020. A working group is reviewing business requirements to identify how some services may resume at that time. Court Services will be expected to implement technology solutions that will support a reduction of in-person traffic, such as online booking options, document management systems, electronic filing of Provincial Offences Act applications and remote audio/video hearing technology, including expanded use of the existing video facilities. Resource needs, associated information and potential financial impacts to support these planning efforts will continue to be explored by the working group in the coming weeks.

More detailed information on 2020 year-end projections is expected to be included in the 2020 Operating and Capital Budget Mid-year Progress Report, expected to be brought forward in September.

Key financial information related to the COVID-19 emergency is reviewed and reported to senior management on a weekly basis. The information will also help inform projections for full-year impacts, the development of strategies to help manage impacts, and development of the 2021 budget.

In addition, the information is helping to support engagement with other municipalities and other orders of government. The Region and all area municipalities are participating in an exercise with other Greater Toronto and Hamilton Area (GTHA) municipalities to collect information on COVID-19 financial impacts. This work is helping support discussions by GTHA Mayors and Chairs on economic recovery efforts.

Table 1

Estimated Impacts of COVID-19 as at May 31

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
Payroll costs	Staff-related costs resulting from COVID-19 (e.g., staff time, overtime, and additional staff). Excludes banked time. Updated to include YRP staff-related costs.	23.35	1.95
Non-payroll costs	Includes non-staff expenditures (e.g., health-related materials, IT costs), program costs incurred by Public Health, Long-term Care, social assistance and others, and unspent purchase orders, net of COVID-19 related grant funding	11.84	0.99
Sub-Total Direct Costs		35.19	2.93
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination	0.47	0.04
Transit	Net impact of lower revenues from reduced ridership and service reductions as of April 5 (excludes additional facility and bus cleaning costs)	5.64	0.37
Water and Wastewater	Reduced revenues from deferral of the April 1 planned rate increase	5.04	0.63
Court Services	Estimated reduction in revenues from Provincial Offences fines during Courts closure, net of staff-related savings. Amounts to be recovered will be determined once Courts re-open.	2.41	0.21
York Regional Police	Fee revenue loss from closure of Customer Resource Center, net of reduced spending on training, fleet fuel and maintenance, and other savings	0.88	0.07
Community Investment Fund	Providing funding to extend seasonal shelters to sustain shelter capacity	0.29	0.03
Other	Includes information technology capital costs and program savings identified to date	0.10	-
Sub-Total Indirect Costs		14.83	1.35
Total		50.02	4.29

Updated financial impacts primarily reflect ongoing efforts of staff to help manage the emergency, associated spending on health-related materials and program expenses for homelessness supports and children's services

Table 1 includes financial impacts identified to date associated with the COVID-19 emergency. It accounts for unexpected costs and grant revenues received to date. Mitigation impacts are excluded, unless noted in the description.

The updates to figures in the table reflect the longer reporting period since the April 30 Memorandum. Since April 30, staff-related costs increased by \$12.64 million, including \$2.5 million in overtime costs and \$4.84 million in York Regional Police staffing costs, which were previously tracked separately by York Regional Police.

Total non-payroll net expenditures increased by approximately \$4.3 million since April 30. Approximately half of the increase reflects two new purchase orders for the temporary transitional shelter for residents experiencing homelessness, which opened on May 13. The remaining amount was for ongoing costs for health-related materials such as PPE, computer and telecommunications costs, and homelessness and children's services program costs.

The non-payroll figures reflect revenues received from the Province, including approximately \$2.49 million received to date as part of the \$4.98 million recent provincial commitment to support social services and \$220,400 to support the COVID-19 response in the Region's long term care homes.

Some impacts may be managed within the Region's 2020 budget, but significant risks remain

While a number of impacts are in excess of year-to-date budget amounts for the individual program areas, some of the impacts are expected to be accommodated within department budgets by year-end. This includes impacts associated with the use of budgeted resources, such as existing or redeployed staff. In addition, savings are expected from hiring deferrals, reduced spending in non-essential areas, and other mitigation strategies.

Impacts associated with reduced water/wastewater and court revenues, and higher waste management processing costs may be managed through dedicated reserves established to assist with fluctuations in these areas.

Key risk areas identified as having the potential to create year-end pressures in 2020 include the ongoing impacts of reduced transit ridership, the potential ongoing reduction in revenues for York Regional Police from fee-based activities, Public Health, potential service delivery adjustments to long-term care, potential pressures in Paramedic Services related to supporting the Public Health response, homelessness support programs, and social assistance.

The impacts and assessment of whether they can be mitigated within department budgets is based on the experience to date. Some Regional programs and services have been temporarily suspended during the COVID-19 emergency. As these programs and services resume, they

may require changes in operating procedures and delivery, as well as the return of redeployed staff. This could result in higher and unbudgeted costs throughout the recovery phases and beyond.

More detailed information on potential pressures in 2020 is expected to be included in the 2020 Operating and Capital Budget Mid-year Progress Report expected to be brought forward in September.

Year-to-date figures exclude initiatives where cost and revenue impacts have not yet started

Year-to-date and weekly figures will continue to be updated as initiatives are implemented and cost and revenue impacts are recorded. This includes the cancellation of the transit fare increase originally planned for July 1, with an estimated reduction in revenues of approximately \$1.1 million in 2020.

This also includes the property tax relief program approved by Council on April 30. Previous estimates suggested costs associated with the potential delayed receipt of all four property tax instalments to the Region could be up to \$2.69 million. To date, the Region has collected 99% of the first tax installment; the delayed portion will cost the Region approximately \$24,000.

Other revenue impacts that are not yet reflected in the figures include additional funding as part of the \$4.98 million commitment to support social service programs mentioned earlier in the Memorandum, potential funding through the Province's previously announced commitment to assist with extraordinary costs in public health, and a recent funding commitment of \$60,500 through the Federation of Canadian Municipalities.

Additional cost and revenue changes not yet quantified could affect the Region's financial impacts

A number of other cost and revenue impacts associated with COVID-19 may be identified as additional information becomes available. For example, the recent decline in economic activity may contribute to reduced development charge and assessment growth revenues. Potential delays to capital projects could also impact the Region's capital plan and are being closely monitored.

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

Figures 1 to 3 below compare actual to budgeted gross expenditures, revenues and net expenditures by department. The expenditures reported below reflect all expenditures, including COVID-19 related amounts.

Figure 1
Actuals vs. Budget %
May 31 YTD



Figure 2
May 31 YTD Gross Operating Expenditures vs Budget

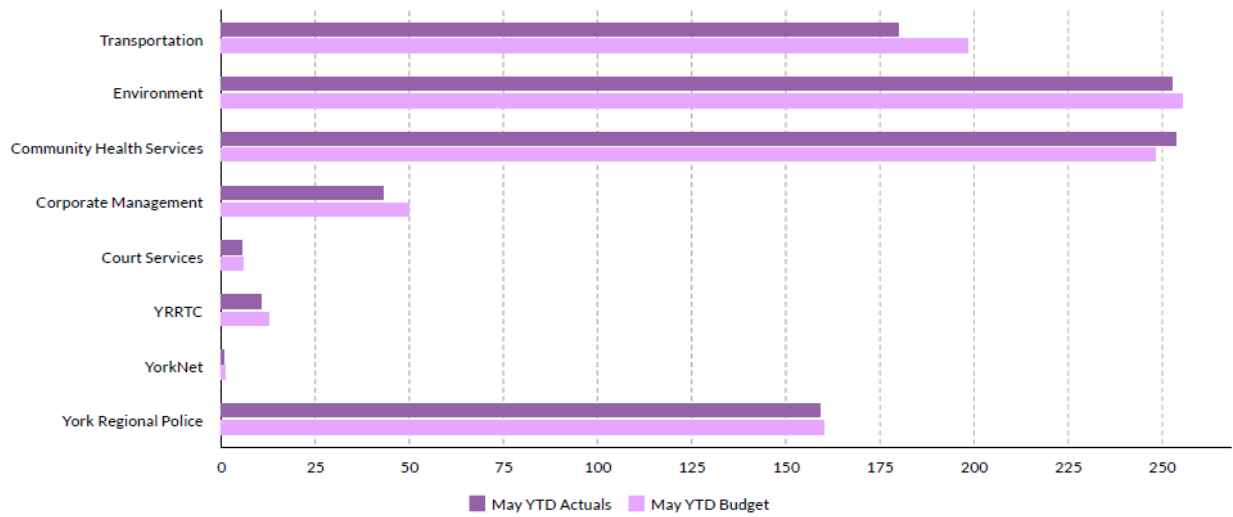


Figure 3
May 31 YTD Revenues vs Budget

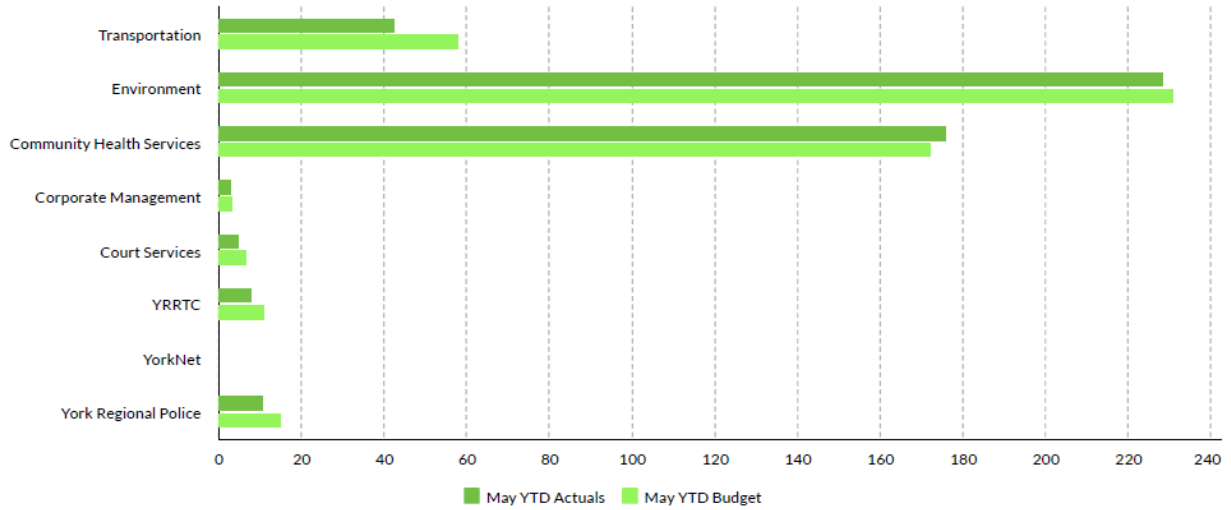
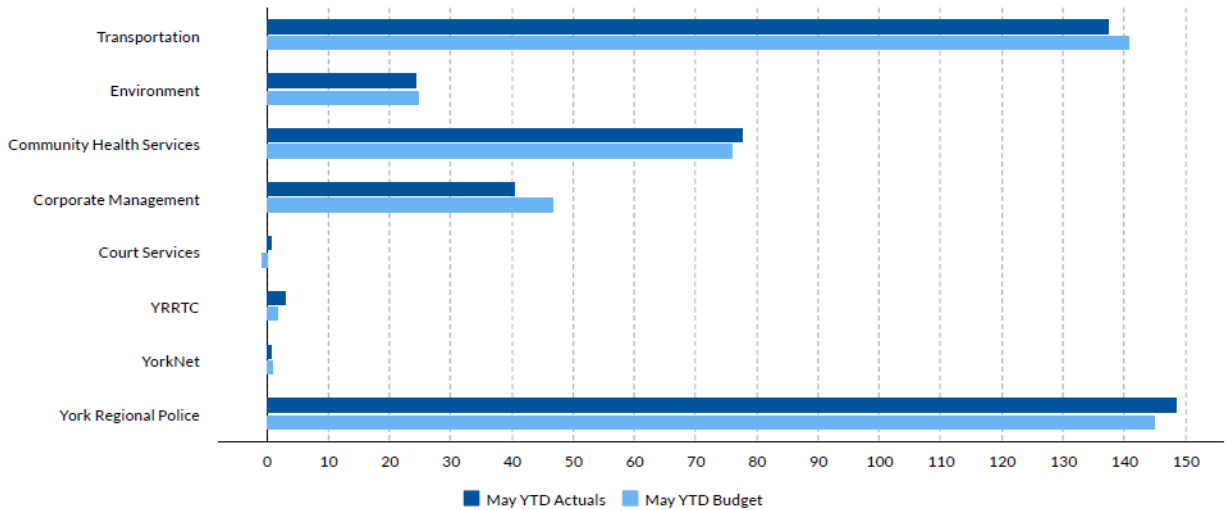


Figure 4
May 31 YTD Net Expenditures vs Budget



As of May 31, 2020, net expenditures were 99.3% for Regional departments. While the factors contributing to year-to-date budget performance are different than in 2019, the net expenditure results are consistent with those in May, 2019.

As of May 31, 2020, gross expenditures were close to budgeted amounts for most departments. Lower expenditures in Transportation Services were primarily linked to the reduction in transit ridership. Higher than budget gross expenditures in Community and Health Services were driven by the response to COVID-19 and the timing of expenditures in the non-profit housing program.

Revenues were also below budgeted amounts and reflect the impacts reported by departments in Table 1. Lower than budget revenues for Transportation Services reflect the impacts of reduced transit ridership. Community and Health Services revenues are higher due to unbudgeted senior government revenues supporting social services needs in response to COVID-19. York Regional Police revenues are below budget, reflecting impacts of the Community Resource Center closure. Court Services net expenditures are higher than budget due to reduced revenues related to the courts closure.

Timing differences also contributed to variances, including budgeted draws from reserves that have not yet taken place resulting in higher than budget net spending for York Region Rapid Transit.

Financial impacts of the COVID-19 Pandemic on the Region will continue to be monitored and the next update to Council will be provided with the 2020 Operating and Capital Budget Mid-year Progress Report planned in September. Updates will also be provided to the Regional Emergency Operations Centre during the summer.

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