

## MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

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

Date: October 19, 2020

Re: Financial Impacts of COVID-19

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This Memorandum provides an update to the September 22, 2020 Memorandum to Council, summarizing the financial impacts of COVID-19 on the Region. Key points include:

- As of September 30, total impacts to date were \$101.5 million and weekly financial impacts of COVID-19 are \$3.4 million, similar to the weekly impact reported as of August 31.
- Overall Regional program net spending to date is approximately 96%, higher than 93% net spending this time last year, reflecting impacts of COVID-19.
- The growth in the second wave of COVID-19 through the fall and winter could result in an increase in the weekly impact figures. As a result of the potential risk, total estimated impacts of COVID-19 in 2020 are unchanged from the previous \$173 million reported in the July 17 and September 22 Memoranda.
- As reported in the 2020 Operating and Capital Budget Mid-Year Progress Report presented to Council on September 24, ongoing department mitigation strategies such as redeployment of existing resources to the response, hiring deferrals and reduction in key non-staff spending is expected to offset the majority of \$173 million impacts, resulting in a net expected deficit of \$20.3 million at year-end. Senior government funding commitments are expected to address this deficit.
- Preliminary estimates of 2021 impacts are \$103 million, slightly higher than the \$99 million reported in the September 22 Memorandum.
- Impacts will continue to be monitored to help inform and update expectations for 2021 and beyond, which will be considered through the 2021 budget process.

## **Impacts of COVID-19 total \$101.5 million to date and could reach \$173 million in 2020 and \$103 million in 2021**

As of September 30, 2020, net expenditures for Regional programs were 96.1% of the budgeted amount for the period. Total costs and reduced revenues associated with COVID-19 totalled \$101.5 million, or approximately \$3.38 million per week, on average. The weekly amount is similar to impacts of approximately \$3.37 million per week reported in the September 22 Memorandum. The update since the prior Memorandum reflects increased transit-related pressures based on the experience through September, partially offset by slowed growth in staff-related spending and increased grant revenues.

The 2020 year-end impacts are currently estimated to be the same as projected in the July 17 and September 22 Memoranda, approximately \$173 million. The forecast continues to include a provision related to the risk of increased costs associated with the second wave of COVID-19, reflecting recent Provincial decisions to revert areas of Ontario with high caseloads to Stage 2 of the reopening process. However, if the average weekly financial impacts remain at the levels reported as of September 30, the year-end impacts would be approximately \$156 million. Impacts of COVID-19 will continue to be monitored and incorporated in a potentially revised year-end forecast in November.

For 2021, COVID-19 total financial impacts are currently estimated to be approximately \$103 million. This estimate is based on the experience to date and expected impacts in 2021, including the ongoing cost of the response and recovery, such as Public Health resourcing needs, personal protective equipment (PPE), and cost impacts of enhanced infection protection measures in long-term care homes. Updates to expected impacts in 2021, including potential revisions based on the severity of a second wave of infections, as well as options for mitigating potential pressures, will be brought forward through the budget process.

## **Higher net Transit pressures were partially offset by slowed growth in staff spending and the receipt of previously announced funding**

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.

Updates to figures in the table reflect the longer reporting period since the September 22 Memorandum. Net pressures related to transit revenues grew by \$2.13 million since August, increasing the weekly impact rate by \$0.42 million. This was partially offset by the slowed growth and lower weekly impact of payroll costs, non-payroll net spending, and other items, resulting in an overall increase in the weekly impact from \$3.37 million to \$3.38 million.

Since August 31, staff-related costs increased by \$5.6 million. The increase is driven primarily by ongoing staff efforts across the organization to manage the impacts of COVID-19, overtime costs (\$0.7 million) and additional payouts related to pandemic pay premium (\$0.09 million), which do not align with the timing of receipt of funding. Of the total increase in staff-related

costs, approximately 71% relates to the ongoing COVID-19 response in Public Health, Paramedic Services and Long-Term Care.

Gross non-payroll costs increased by \$5.8 million and were partially offset by increased revenues of \$5.2 million, resulting in increased non-payroll net costs of \$0.6 million since August. The increase in costs primarily reflects ongoing needs for health-related materials such as PPE, computer and telecommunications, cleaning, and program costs associated with children's services. Changes in revenues reflect:

- \$3.7 million of the \$14.0 million allocation under Federal Safe Restart funding in support of childcare and EarlyON health and safety measures
- \$0.9 million in Provincial funding to offset the cost of operating emergency childcare centers
- Additional Provincial funding of \$0.7 million for pandemic pay premium for staff in social services and long-term care homes
- Reduced revenues compared to the prior memo of \$250,000 associated with the Federal Reaching Home program supporting individuals experiencing homelessness, which is implemented by the United Way. This revenue was deferred to the final quarter of 2020 to align with the expected timing of spending.
- Additional support for Long-Term Care homes of \$70,400, bringing the total to \$0.4 million to date

Table 1  
**Estimated Impacts of COVID-19 as at September 30**

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
Payroll costs	Staff-related costs resulting from COVID-19 (e.g., staff time, overtime, pandemic pay and additional staff). Excludes banked overtime. Includes YRP staff-related costs.	49.62	1.65
Non-payroll costs	Includes program costs related to the COVID-19 response, non-staff expenditures (e.g., health-related materials, IT operating costs), and unspent purchase orders, net of COVID-19 related grant funding, including pandemic pay	14.97	0.50
<b>Sub-Total Direct Costs</b>		<b>64.59</b>	<b>2.15</b>
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination	1.50	0.05
Transit	Net impact of lower revenues from reduced ridership, deferred fare increase and service reductions as of September	11.45	0.56
Water and Wastewater	Reduced revenues from deferral of the April 1 planned rate increase	17.67	0.45
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 fully re-open.	4.45	0.11
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	1.62	0.05
Other	Includes information technology capital costs and program savings identified to date	0.24	0.01
<b>Sub-Total Indirect Costs</b>		<b>36.94</b>	<b>1.23</b>
<b>Total</b>		<b>101.53</b>	<b>3.38</b>

## **Other financial impacts include below budget development charge collections and interest costs of the tax relief program**

On June 11, 2020, Committee of the Whole received the Fiscal Sustainability 2020 Update Report highlighting fiscal challenges associated with COVID-19, including potentially lower than forecasted levels of Development Charges (DC) collections. As of September 30, the Region collected \$156.5 million in development charges. Collections continue to track below forecasts reflected in the 2020 budget. The preliminary DC collections forecast included in the Fiscal Sustainability Update report anticipates \$241 million in collections in 2020, or approximately \$121 million lower than what was assumed in the 2020 budget (\$362 million). The forecast of \$241 million is \$11M below the principal and interest payment for development charges related debt for 2020. However, as the economy recovers, development charge collections in 2021 and beyond are expected to be above the annual principal and interest payments.

On April 30, 2020, Council directed that a tax relief program be implemented to support York Region's local municipalities in their efforts to provide tax payment flexibility to residents and businesses. To date, the Region collected 99% of the first three installments; the delayed portion will cost the Region approximately \$148,000 in interest.

## **The decline in development activity may result in assessment growth pressure in 2021 and 2022**

Information provided by the Municipal Property Assessment Corporation (MPAC) indicates as of June 30, projected total assessment growth in 2020 is expected to be between 1.06% and 1.24%, compared to growth of 1.48% included in the 2020 budget. This could result in a significant pressure in 2021. These figures are early estimates and are expected to be updated by MPAC later in 2020. The updated amounts will be brought forward as part of the 2021 budget process.

## **While mitigation strategies have been identified, ongoing uncertainty may impact 2020 and 2021**

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, the extent of a second wave, the nature of recovery phases, and further actions to address COVID-19 could impact the projected cost profile in 2020 and 2021.

In addition to ongoing resource needs to continue to manage the COVID-19 response beyond 2020, recent legislative changes may impact costs through 2021. The *Helping Tenants and Small Businesses Act, 2020* passed on October 1 includes a provision to freeze residential rent increases at 2020 levels through 2021. Previously published Provincial guidelines reflected rent increases of 1.5% in 2021. The Region expects to submit estimated financial impacts to the Province as part of the 2020 provincial budget consultations. In addition, Housing Services staff are working with the Association of Municipalities of Ontario and the Ontario Municipal Social

Services Association, along with other Service Managers, to identify and address financial and administrative impacts of the rent freeze.

There is also uncertainty regarding the timing and total funding allocations associated with previously announced senior government funding. Earlier this year, the Province announced a \$100 million investment to support extraordinary costs incurred by Public Health units across the Province. Based on actuals up to June 30, the total cost of the Public Health COVID-19 response is estimated to be \$54.6 million in 2020, including costs of staff redeployed to support the Public Health response, non-staff costs including materials and external services, and support costs for communications, IT, recruiting and others. The cost of masks for distribution to vulnerable populations has also been included. Of this amount, \$20.1 million has been identified as extraordinary costs. These estimates have been submitted to the Ministry of Health in September for reimbursement. Final reimbursement amounts are pending approval from the Ministry of Health and are anticipated to be calculated based on actual Public Health response reported at year-end.

As reported in the 2020 Operating and Capital Budget Mid-Year Progress Report presented to Council on September 24, the Region expects a projected 2020 year-end deficit of \$20.3 million resulting from the impacts of COVID-19. Federal and Provincial Safe Restart commitments of up to \$63.2 million summarized in the September 22 Memorandum are expected to address the projected 2020 shortfall. The \$63.2 million in funding comprises:

- \$23.5 million in support for general operating pressures related to COVID-19
- \$17.1 million to address transit-related impacts
- \$14.2 million in federal Safe Restart funding to support childcare and EarlyON centers
- Preliminary allocation of \$8.4 million through Social Services Relief Fund Phase 2

The forecasts do not reflect the \$23.5 million or the \$17.1 million in operating and transit-related funding allocations due to uncertainty related to the timing of use and the potential for amounts to be carried forward for use beyond 2020.

The forecasts also do not reflect any allocation under the Social Services Relief Fund Phase 2 as the final funding allocation is contingent on a successful application. The Region submitted its business case to the Province based on the full planning allocation of \$8.4 million and highlighted ongoing needs to continue mitigating risks of COVID-19 for vulnerable populations in congregate care settings, including the Region's Self-Isolation and Transitional shelters. Details around the final allocation are expected at the end of October following the provincial business case review process.

The funding reflected in the forecast is summarized in Table 2 and includes known allocations as well as funding received to date. Since the September 22 Memorandum, two new funding allocations have been reflected in the forecasted impacts. This reflects \$3.7 million of the total \$14 million Regional allocation of Federal Safe Restart funding, in support of health and safety measures in childcare and EarlyON centers and additional provincial funding for the pandemic response in long-term care homes.

On October 1, the Province announced its COVID-19 Long-Term Care Preparedness plan including a new investment of \$540 million to support staffing needs, surveillance, infection prevention and containment, and personal protective equipment. To date, the Region has received \$361,200 in infection prevention and containment funding, up \$70,400 since August. Preliminary estimates suggest the Region's long-term care homes could expect an additional \$140,800 based on the Province's commitments, for a total of \$502,000 in 2020 and a further \$46,300 in 2021 for staffing costs. These figures exclude Provincial funding to temporarily increase wages of Personal Support Workers in home and community care, long-term care, public hospitals and social services sectors. These amounts will be incorporated in future updates.

The \$5 million Provincial funding commitment reflected in the Public Health 2020 funding allocation letter dated September 10 indicated the additional funding would be provided to support the cost of 50 public health school-focused nurses in 2020 and 2021, and to address other COVID-19 costs, such as case management and contact tracing. This funding is not expected to be sufficient to offset total expected costs in 2021, including ongoing costs of Public Health resourcing needs, as outlined in a June 22 report to Council, and potential impacts of immunization clinics.

Updates to information regarding eligible expenses related to Provincial and Federal funding commitments and whether funding may be carried forward to address COVID-19 related impacts in 2021 will be incorporated the 2021 budget process.

**Table 2**  
**Provincial and Federal Government Funding for COVID-19 Response (000s)**

<b>Area</b>	<b>Description</b>	<b>Recorded to Date</b>	<b>(\$ Millions)</b>	
			<b>2020 Expected total</b>	<b>2021 Expected Total</b>
Public Health	Reflects the 2020 Public Health funding allocation communicated in a Sept. 10 letter, including support for the school-focused nursing initiative, case management and contact tracing	-	2.15	2.93
Long-Term Care	Funding for infection prevention and containment and staffing per October 1 Provincial announcement and Fall Preparedness Plan	0.36	0.50	0.04
Pandemic Pay	Reflects the Province's announcement in April to provide an additional four dollars per hour for frontline staff and lump sum payments of \$250 per month from April to August for employees working more than 100 hours per month over a 16-week period between April and August 2020	2.92	3.06	-
Reaching Home	Federal funding allocation of \$500,000 in through United Way Greater Toronto in 2020-2021 to enhance the capacity of the Region's Homelessness Prevention Program in anticipation of increased demand for housing support services, along with \$296,000 to cover shelter costs for families displaced from Leeder Place Family Shelter when it was converted to a self-isolation shelter.	0.30	0.67	0.13
Social Services Relief Fund Phase 1	The Province's investment in Social Services to expand supports for individuals at risk of homelessness, low-income households, families experiencing housing instability and other groups that are vulnerable due to COVID-19	3.74	4.98	-



Area	Description	Recorded to Date	(\$ Millions)	
			2020 Expected total	2021 Expected Total
Emergency Child Care	Provincial funding for the cost of the six emergency childcare centers operated for healthcare and other eligible frontline workers during childcare closures	0.97	0.97	-
Federal Safe Restart funding	Federal safe restart investment for childcare and EarlyON. Per the letter dated August 14, funding will be used to purchase face coverings, PPE, enhanced cleaning, staff to meet health and safety requirements, and minor capital.	3.70	14.24	-
Transit	Accrual of funding provided by the Ministry of Transportation for enhanced cleaning of transit fleet and facilities	0.66	0.66	-
<b>Sub-total funding reflected in forecasted financial impacts of COVID-19</b>		<b>12.65</b>	<b>27.24</b>	<b>3.10</b>
Safe Restart Agreement Municipal funding	Provincial support for municipal operating pressures related to the COVID-19 response. The timing and use of funds will depend on actual pressures at year-end.	-	23.46	-
Safe Restart Agreement Transit funding	Provincial support for transit-related pressures due to COVID-19. The timing and use of funds will depend on actual pressures at year-end.	-	17.11	-
Public Health	Ministry of Health support for extraordinary expenses incurred as part of Public Health response. Amount is based on Public Health submission to Ministry of Health and pending confirmation	-	20.10	-
Social Services Relief Fund Phase 2	Planning allocation for additional Provincial support for the social services response to COVID-19, pending successful business case. Timing of funding reflects business case submission and final allocation is pending outcome of business case process	-	2.21	6.21
<b>Sub-total funding not yet included in forecasts</b>		<b>-</b>	<b>62.89</b>	<b>6.21</b>

Area	Description	Recorded to Date	(\$ Millions)	
			2020 Expected total	2021 Expected Total
Total		12.65	90.13	9.31

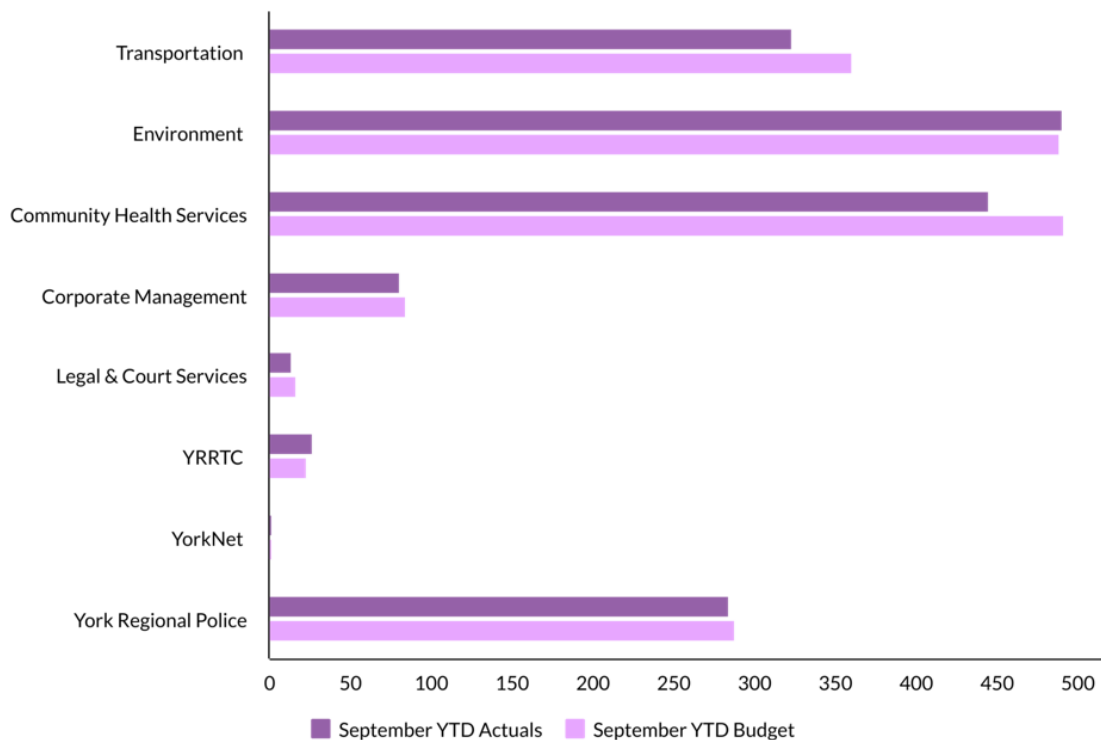
## Overall department net spending is 96% of budget as of September 30

Figures 1 to 4 below compare actual to budgeted gross expenditures, revenues and net expenditures, and figures 2 to 4 illustrate this information by department. The expenditures reported below reflect all expenditures for Regional departments, including COVID-19 related amounts.

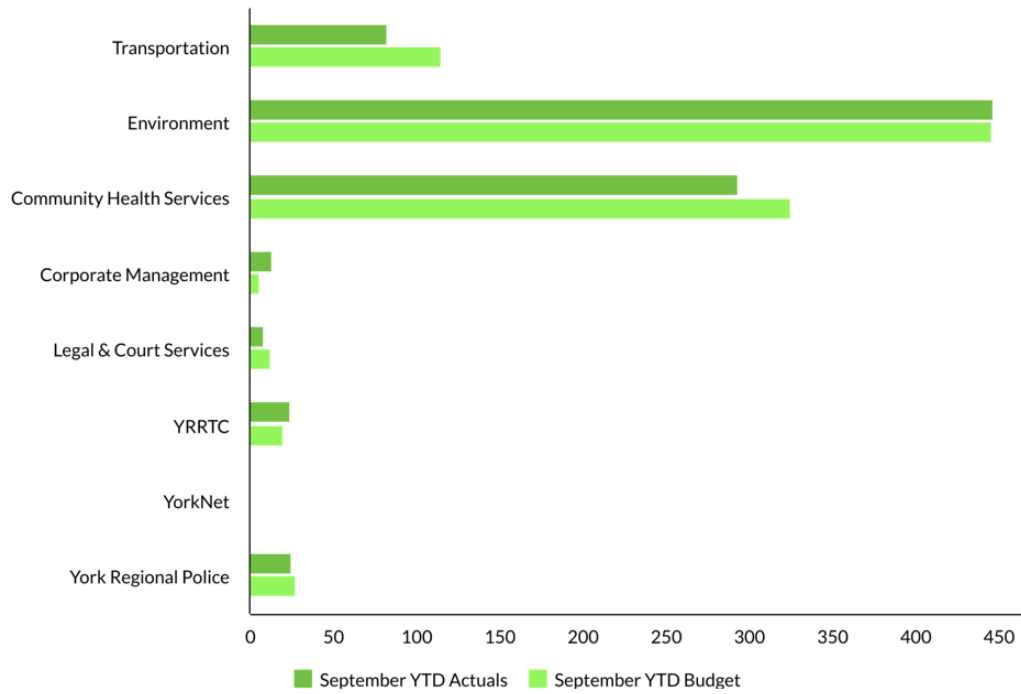
**Figure 1**  
**September 30 YTD Actuals vs. Budget %**



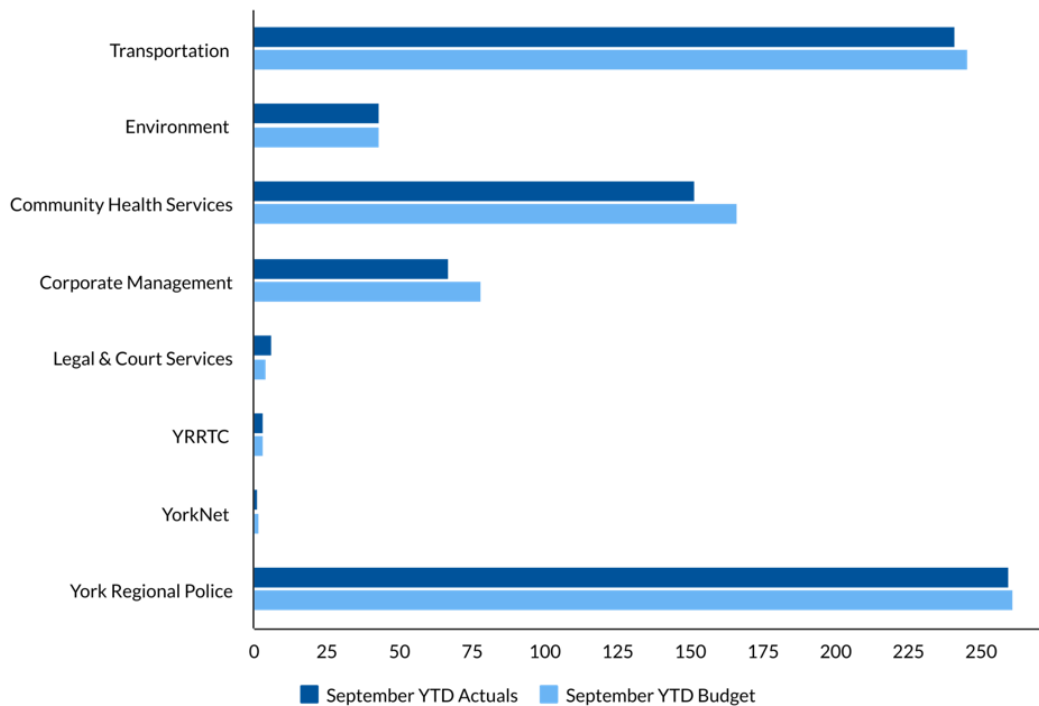
**Figure 2**  
**September 30 YTD Gross Operating Expenditures vs Budget (\$M)**



**Figure 3**  
**September 30 YTD Revenues vs Budget (\$M)**



**Figure 4**  
**September 30 YTD Net Expenditures vs Budget (\$M)**



As of September 30, 2020, net expenditures for Regional departments were 96.1% of the budgeted amount. This is higher than year-to-date net spending of 93% in September 2019 due to COVID-19 impacts summarized in Table 1. Drivers of the net variance were similar to those reported in the July 17 and September 22 Memoranda and are outlined below.

As of September 30, 2020, gross expenditures were below budgeted amounts for most departments. As reported in the prior memoranda, lower expenditures in Transportation Services were primarily linked to lower costs due to reduced transit services and other savings. Lower than budget gross expenditures in Community and Health Services continue to be driven by lower payments to children's services operators resulting from the previous closure of childcare centers and timing of funding transferred to housing providers for capital repairs. York Region Rapid Transit gross expenditures are higher than budget due to lower recoveries for capital projects.

Lower than budget revenues for Transportation Services reflect lower transit ridership during the emergency and from ensuing service reductions. Community and Health Services revenues are lower than budget primarily as a result of reduced grant revenues that would be flowed to childcare operators and reserve draws that would fund capital repairs for housing providers, partially offset by higher revenues for social assistance reflecting a greater caseload and funding related to COVID-19 and unbudgeted revenues related to COVID-19, summarized in Table 2. Court Services net expenditures are higher than budget due to reduced revenues related to the courts closure. Although POA revenues were lower than budget in September, similar to prior months, actual revenues are beginning to approach budgeted amounts as Court Services has resumed some services and more remote hearings are expected to be accommodated through expanded audio and video technology.

### **Continued updates will be provided on the financial impacts of COVID-19**

Financial impacts of the COVID-19 pandemic on the Region will continue to be monitored. Ongoing impacts to 2020, updates to the expected deficit position and use of funding including any potential use of the funds to mitigate pressures beyond 2020, will be reported as more information becomes available.

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

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

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Bruce Macgregor  
Chief Administrative Officer

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