

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

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

Date: November 18, 2020

Re: Financial Impacts of COVID-19

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

- As of October 31, total financial impacts of COVID-19 to date were \$113 million, with average weekly impacts of \$3.4 million, similar to the weekly impacts reported through September and August.
- Overall Regional program net spending to date is approximately 97%, slightly higher than 96% net spending this time last year, reflecting impacts of COVID-19.
- Financial impacts for 2020 are projected to be up to \$160 million, reflecting the continuation of recent weekly costs and the risk of higher costs associated with the second wave. The projection is reduced from the figure included in previous Memoranda (\$173 million) to reflect the stable cost experience in the last few months and the relatively short period remaining in 2020.
- As a result of the Region's mitigation strategies, the impact on the Region's overall year-end position is expected to be significantly lower than the projected COVID-19 financial impacts.
- While a \$20.3 million year-end deficit was projected at mid-year, based on the Region's third quarter results, a lower deficit is now anticipated, with full year net expenditures expected to be closer to budgeted levels.
- Preliminary estimates of 2021 impacts are \$151 million, which is above the \$103 million projected in the October 19 Memorandum. Key factors for the revised projection include the anticipated longer duration of costs and associated risks supporting the response and recovery.

Costs to date reflect the ongoing response and expenditures associated with previously announced senior government funding commitments

Table 1 includes financial impacts associated with the COVID-19 emergency as of October 31, 2020, including expenditures for pandemic response 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 September 30, as reported in the October 19 Memorandum.

Since September 30, staff-related costs increased by \$5.2 million, similar to growth experienced through August. This includes additional overtime costs of \$1 million. Approximately 70% of the increase in staff-related costs through October relates to the ongoing COVID-19 response in Public Health, Paramedic Services and Long-Term Care. Non-payroll net costs increased by \$0.1 million since September 30.

Table 1
Estimated Impacts of COVID-19 as at October 31

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.	54.81	1.61
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	15.04	0.44
Sub-Total Direct Costs		69.85	2.05
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination	1.70	0.05
Transit	Net impact of lower revenues from reduced Ridership and advertising revenue, deferred fare increase and service reductions as of October	14.29	0.56
Water and Wastewater	Reduced revenues from deferral of the April 1 planned rate increase	20.27	0.46

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.	5.42	0.24
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	1.35	0.04
Other	Includes information technology capital costs and program savings identified to date	0.24	0.01
<i>Sub-Total Indirect Costs</i>		43.17	1.35
Total		113.13	3.41

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 October 31, the Region collected \$167.5 million in development charges. Collections continue to track below forecasts reflected in the 2020 budget. The updated 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 \$11 million 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. As of the end of October, the Region collected 99% of the first three installments. The impact of the delayed portion is approximately \$148,000.

The 2020 budget includes assessment growth of 1.48%. The Region is continuing to receive updates from MPAC through the Fall and expects finalized figures on November 18. Any updates to budgeted amounts will be brought forward as part of the 2021 budget process.

Senior government funding commitments are expected to help address pressures in 2020 and 2021

The Attachment to this Memorandum shows the Federal and Provincial funding commitments to date. Funding commitments shown in the first part of the table are reflected as revenue offsets

in the figures reported in Table 1. Amounts in the second part of the table are not reflected in the forecasts, as details regarding the timing and use of funds are not yet confirmed.

Federal and Provincial government funding commitments are expected to address the expected deficit in 2020 and will also help offset expected pressures in 2021. Further details on expected pressures for the 2021 budget and potential mitigation strategies will be presented at the Special Meeting of Council on December 10.

Overall department net spending is 97% of budget as of October 31

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
October 31 YTD Actuals vs. Budget %



Figure 2
October 31 YTD Gross Operating Expenditures vs Budget (\$M)

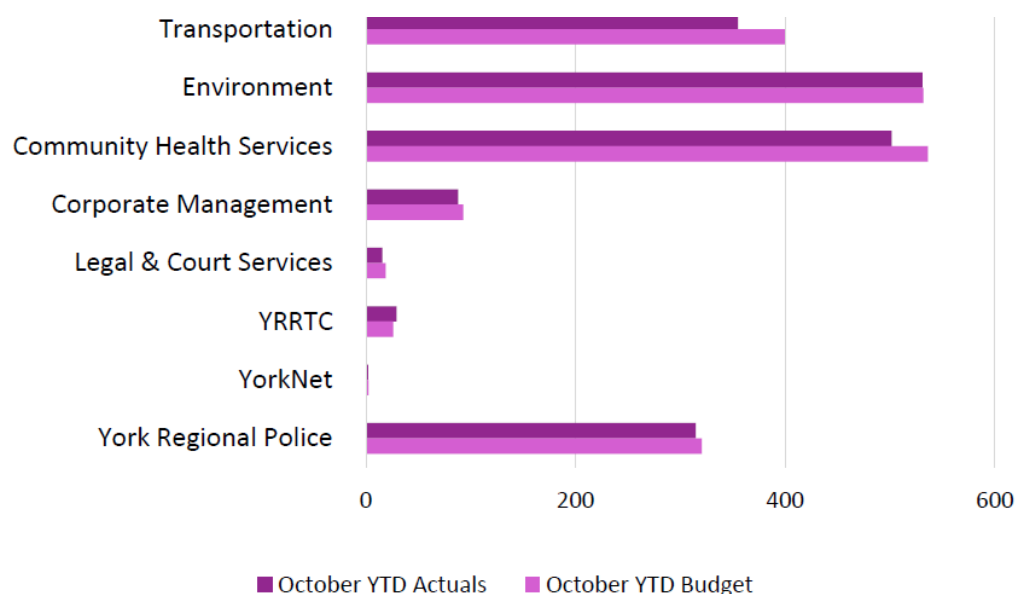


Figure 3
October 31 YTD Revenues vs Budget (\$M)

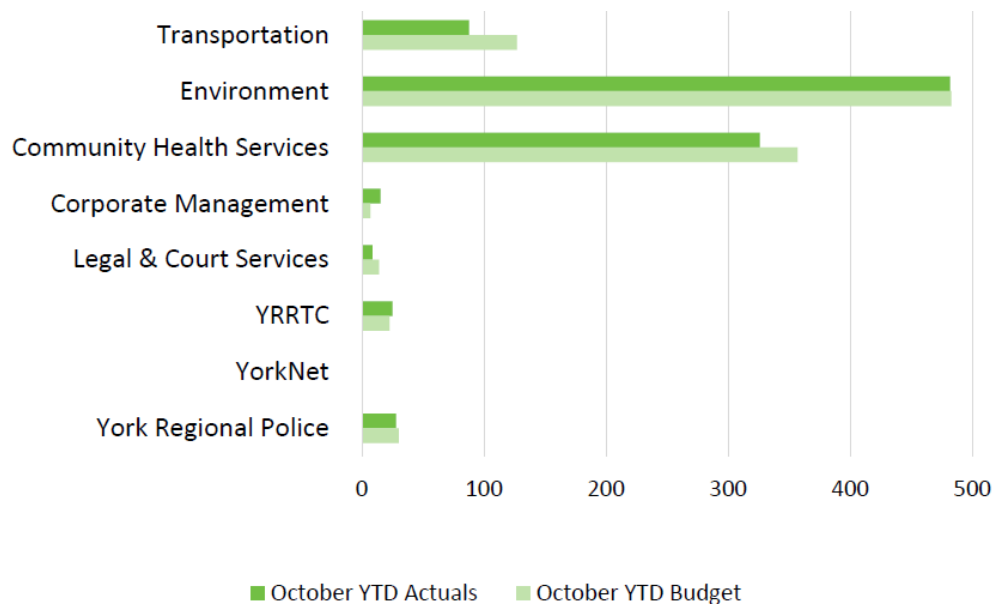
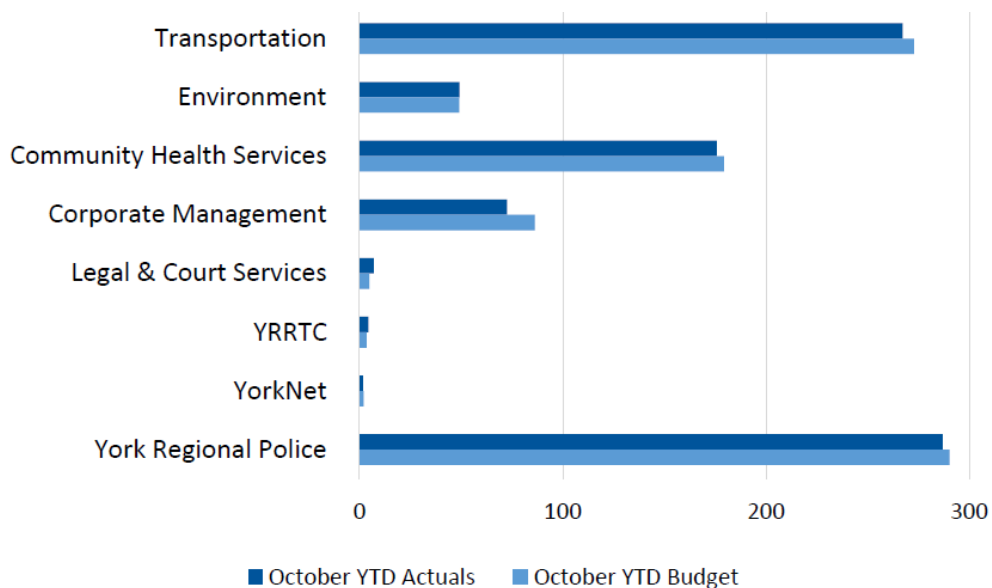


Figure 4
October 31 YTD Net Expenditures vs Budget (\$M)



As of October 31, 2020, net expenditures for Regional departments were 97% of the budgeted amount. This is slightly higher than year-to-date net spending of 96% in October 2019 due to COVID-19 impacts summarized in Table 1. Key drivers of variances are summarized below.

As of October 31, 2020, gross expenditures were below budgeted amounts for most departments. As reported in 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 non-COVID-related 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 and service reductions. Community and Health Services revenues are lower than budget primarily as a result of reduced non-COVID-related grant revenues for childcare operators due to timing associated with payouts, as well as reserve draws for housing providers. This is partially offset by higher revenues related to the Safe Restart funding listed in the Attachment and for social assistance recorded by the department to date. Court Services net expenditures are higher than budget due to reduced revenues from the courts closure.

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. Most of the projected \$160 million impact in 2020 is expected to be accommodated through mitigation strategies outlined in the 2020 Operating and Capital Budget Mid-Year Progress Report presented to Council on September 24. These mitigations include use of existing resources, the deferral of non-essential activities and hiring deferrals.

Financial information related to the COVID-19 emergency is reviewed and reported to senior management on a regular basis. Ongoing monitoring will help inform and update expectations for 2021 and beyond, which will be considered through the 2021 budget process.

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

Bruce Macgregor
Chief Administrative Officer

edocs# 11846766

Attachments (1)