

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

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

Date: December 15, 2020

Re: Financial Impacts of COVID-19

This Memorandum summarizes the financial impacts of COVID-19 on the Region as of November 30, 2020. Key points include:

- Up to November 30, total financial impacts of COVID-19 were \$128 million, with average weekly impacts of \$3.3 million, slightly lower than the weekly impacts of approximately \$3.4 million reported in October.
- Overall Regional program net spending to date is approximately 95%, slightly higher than 94% net spending this time last year.
- Financial impacts for 2020 are projected to total \$151 million, reflecting the continuation of recent weekly costs. The figure was revised down from the \$160 million forecast reported in the November 18 Memorandum to reflect the reduced time period for remaining 2020 costs to be incurred, and the reduced risk of significant increases during this period.
- The Region's mitigation strategies and support from senior governments is expected to allow the Region to avoid a deficit at year-end and contribute approximately \$63 million to the new Pandemic Management Reserve Fund approved by Council on December 10.
- Preliminary estimates of 2021 impacts are \$151 million, similar to the amount projected in the November 18 Memorandum. The projection assumes the pandemic response will continue through 2021 and reflects 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 November 30, 2020, including expenditures for pandemic response and grant revenues received to date. Mitigation impacts are excluded, unless noted in the description.

Compared to the November 18, 2020 Memorandum, which covered the period up to October 31, staff-related costs increased by \$6.4 million. This includes additional overtime costs of \$1.2 million. Approximately 69% of the increase in staff-related costs relates to the ongoing COVID-19 response in Public Health, Paramedic Services and Long-Term Care. Non-payroll net costs increased by \$3 million, primarily reflecting ongoing program costs, including transfers to community agencies for shelter and quarantine supporting individuals experiencing homelessness or at risk of homelessness, cleaning, PPE, and IT costs.

Table 1
Estimated Impacts of COVID-19 as at November 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.	61.24	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	18.04	0.47
Sub-Total Direct Costs		79.78	2.09
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination	1.87	0.05
Transit	Net impact of lower revenues from reduced Ridership and advertising revenue, deferred fare increase and service reductions	16.44	0.54
Water and Wastewater	Reduced revenues from deferral of the April 1 planned rate increase	22.70	0.48

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
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.	5.98	0.14
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	1.32	0.03
Other	Includes information technology capital costs and program savings identified to date	0.24	0.01
Sub-Total Indirect Costs		48.56	1.25
Total		127.84	3.34

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 November 30, the Region collected \$192.2 million in development charges. Collections continue to track below the amount included in the 2020 budget (\$362 million). 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. The forecast of \$241 million is \$9 million below the principal and interest payment for development charges related debt for 2020. However, as the economy recovers, average development charge collections in 2021 and beyond are expected to be above the average 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 November, the Region collected 99% of the first three installments. The impact of the delayed portion is approximately \$148,000. It is anticipated that the final instalments will be paid in full.

The most recent projections from the Municipal Property Assessment Corporation (MPAC) indicate that the Region's property tax assessment is expected to grow by 1.37% in 2020, which is below the 1.48% growth included in the Region's 2020 budget. While the lower growth is not contributing to the 2020 financial impacts reported in this Memorandum, it is expected to add to

the expected pressures in the 2021 budget. Information on these impacts was included in the December 10 Special Meeting of Council presentation on Financial Impacts of COVID-19.

Senior government funding commitments are expected to help address COVID-19 financial impacts

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.

As presented at the Special Meeting of Council on December 10, Federal and Provincial government funding commitments are expected to help address a portion of the COVID-19-related impacts in 2020.

Overall department net spending is 95% of budget as of November 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
November 30 YTD Actuals vs. Budget %



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

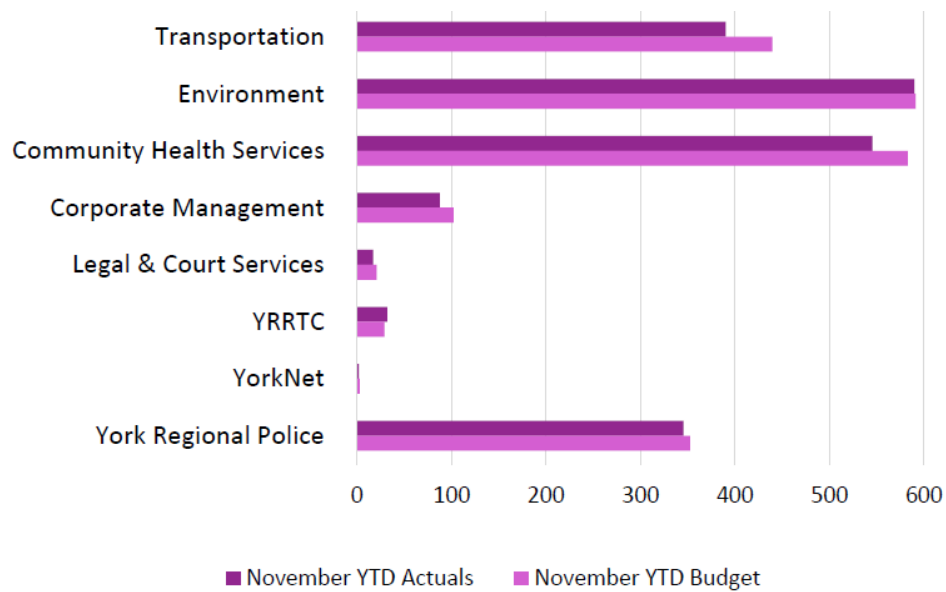


Figure 3
November 30 YTD Revenues vs Budget (\$M)

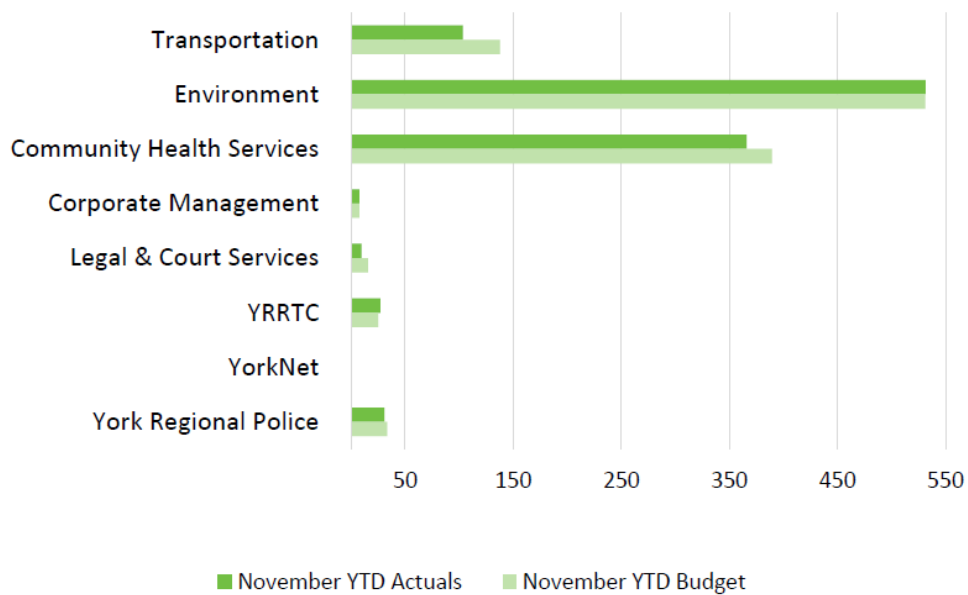
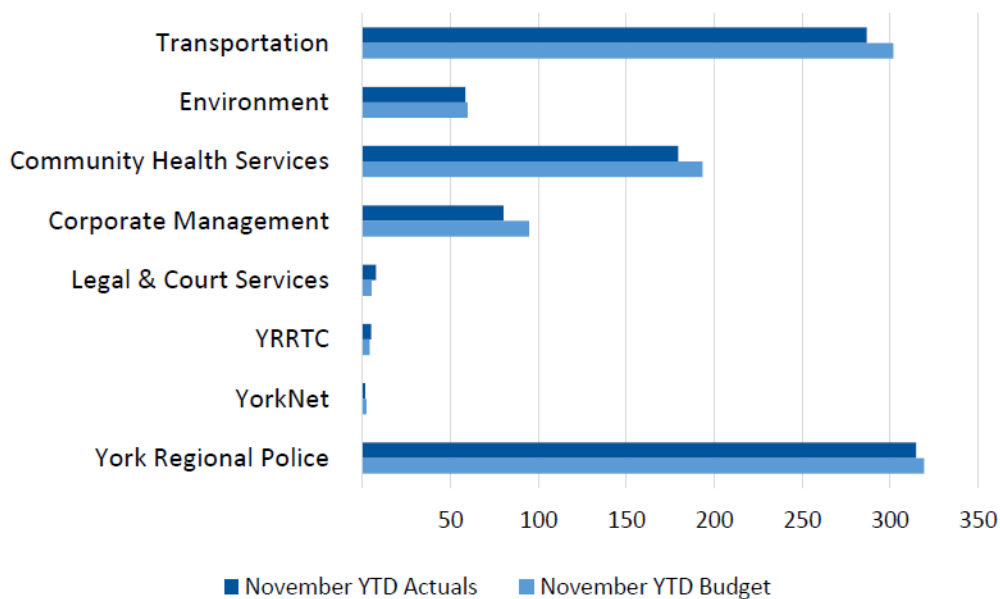


Figure 4
November 30 YTD Net Expenditures vs Budget (\$M)



As of November 30, 2020, net expenditures for Regional departments were 95% of the budgeted amount. This is slightly higher than year-to-date net spending of 94% in November 2020 due to the factors summarized in Table 1. Key drivers of variances are summarized below.

As of November 30, 2020, gross expenditures were below budgeted amounts for most departments. As reported in prior memoranda, lower gross 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. Public Health revenues are also below budget due to the delay in the Ontario Seniors Dental program. This is partially offset by higher revenues to support the COVID-19 response 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 and reported as required. As noted in previous memoranda and in the presentation at the Special Meeting of Council on December 10, financial impacts of COVID-19 will continue to be addressed through various strategies, including the use of existing resources, the deferral of non-essential activities and senior government funding.

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 and will be considered through the 2021 budget process.

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

Bruce Macgregor
Chief Administrative Officer

edocs# 12134277

Attachments (1)