

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

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

Date: January 25, 2021

Re: Financial Impacts of COVID-19

This Memorandum summarizes the financial impacts of COVID-19 on the Region as of December 31, 2020. The figures reported in this memo are preliminary and may be updated as the Region's year-end figures are finalized over the coming weeks. Key points include:

- Up to December 31, total financial impacts of COVID-19 were \$158 million, with average weekly impacts of \$3.7 million.
- Senior government funding totalling approximately \$91 million helped offset the financial impacts, resulting in a net impact to the Region of \$67 million.
- 2020 budget to actual performance as presented in prior Memoranda and year-end results are still being finalized and will be available in future updates.
- Preliminary estimates of 2021 impacts are \$183 million. The figure is above the \$151 million estimate included in the December Memorandum due to the recent announcements from the Province to provide additional funding for social services. The updated figure also reflects the expected impacts of the decision to defer water and wastewater rate increases in 2021.
- Additional details on expected impacts in 2021 and 2022 will be reflected in the Regional budget to be tabled on February 25.

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

Table 1 includes preliminary financial impacts associated with the COVID-19 emergency as of December 31, 2020, including expenditures for pandemic response. Mitigation impacts are excluded, unless noted in the description.

Further adjustments to figures shown in Table 1 are expected as the Region’s financial results are finalized.

Staff-related costs increased by \$7.3 million in December. Approximately 71% of the increase includes staff-related costs in Public Health, Paramedic Services and Long-Term Care. Overtime costs accounted for \$2 million of the overall staff-related costs.

Non-payroll costs were adjusted from the previous Memoranda to exclude \$23.4 million in unspent purchase orders. These potential costs may be incurred in 2021 and will be reported on as part of future updates. The figure was also adjusted to exclude revenue offsets so that only gross expenditures are reflected. This adjustment allows the impacts in the table to be more easily compared to the COVID-related revenues summarized in Attachment 1. The information shows the total financial impacts of \$158 million summarized in Table 1 were offset by expected revenues of approximately \$91 million in 2020. These figures are still considered preliminary and will be confirmed as the 2020 year-end results are finalized.

Non-payroll expenditures reported for December also reflect an increase of approximately \$1 million related to PPE for Paramedic Services and Long-Term Care, costs related to the Public Health response, transfers to community agencies for shelter and quarantine support, cleaning, and IT costs.

Table 1
Estimated Impacts of COVID-19 as at December 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 premiums payable to Regional staff and additional staff). Includes YRP staff-related costs. Excludes banked overtime.	70.77	1.65
Non-payroll costs	Includes gross program costs related to the COVID-19 response and other non-staff expenditures (e.g., health-related materials, IT operating costs).	33.73	0.78
Sub-Total Direct Costs		104.50	2.43
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination.	2.07	0.05
Transit	Net impact of lower revenues from reduced Ridership and advertising revenue, deferred fare increase and service reductions.	17.93	0.54

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
Water and Wastewater	Reduced revenues from deferral of the April 1 planned rate increase.	25.15	0.48
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.	6.50	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.	1.56	0.04
Other	Includes information technology capital costs, net of other program savings identified to date.	0.25	0.01
Sub-Total Indirect Costs		53.46	1.22
Total		157.95	3.65

Note: Table 1 reflects transactions recorded for 2020 up to January 14. Figures exclude senior government offsets and other mitigation strategies unless noted in the description.

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

On June 25, 2020, York Region Council 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. In 2020, the Region collected \$279 million in development charges. While development charge collections are about \$83 million below the \$362 million projected in the 2020 budget, they are above the updated forecast of \$241 million in the Fiscal Sustainability Update report. The 2020 collections are also sufficient to cover the principal and interest payment for development charge related debt of \$250 million for 2020. As the economy recovers, 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 December, the Region collected 99% of the first three installments. The impact of the delayed portion is approximately \$125,000. The final instalments were paid in full although a portion of the balance from previous instalments is still outstanding.

The Municipal Property Assessment Corporation (MPAC) indicates that the Region's property tax assessment has grown by 1.37% in 2020, which is below the 1.48% growth rate included in the Region's 2020 budget. While the lower growth is not contributing to the 2020 financial impacts reported in this Memorandum, it will be reflected in the 2021 budget to be tabled on

February 25. Information on these impacts was included in the presentation on Financial Impacts of COVID-19 to the Special Meeting of Council on December 10, 2020.

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 recorded to date are reflected as revenue offsets in the figures reported in Table 1.

Since the December 15 Memorandum, additional senior government funding supporting the Region's COVID-19 response is reflected in the Attachment. New confirmed funding for 2021 includes:

- Phase 2 Municipal Safe Restart Agreement funding totaling \$9.9 million.
- Increased commitment for social services support totaling \$8.1 million.
- Support through the Province's High Priorities Communities Strategy for new isolation beds and other program costs to support vulnerable populations totaling \$7.2 million.
- One-time provincial support for the Community Paramedicine program to respond to the annual flu season and the second wave of COVID-19 totaling \$0.6 million.
- Other additional revenues for existing programs including increased commitments to support Long-Term Care homes, including infection prevention and control, mental health and addiction supports in response to COVID-19.

The letters committing funding for social services support and the High Priorities Communities Strategy noted that funding for operating projects expires on March 31, 2021. Should there be continued need to operate the Voluntary Isolation Centres, Transitional and Self Isolation Shelters for vulnerable residents experiencing homelessness and other supportive services beyond this time, there could be a tax levy pressure in 2021 if no new provincial funding is made available.

The Attachment includes a new column indicating preliminary estimates of potential additional funding in 2021 beyond what has been confirmed. This reflects Regional estimates of potential funding where final amounts are not yet confirmed or indicates where communication from senior orders of government indicates possible ongoing support that has not yet been quantified. This includes:

- Ongoing Provincial support for one-time extraordinary costs related to the Public Health response through 2021 was communicated in a January 13 letter. Preliminary estimates

of 2021 funding are \$37.5 million. Actual funding will be determined through the claim process and is subject to Provincial review and confirmation.

- On December 16, the Province communicated that the Region's allocation under the transit stream of Phase 2 Safe Restart Agreement funding would be up to \$34.3 million. Based on estimated impacts in the first quarter of 2021, the Region estimated potential funding totaling \$7.2 million. If expenditures beyond the first quarter of 2021 are eligible for reimbursement, a further \$27 million may be available to offset transit-related COVID-19 impacts pending Provincial confirmation.
- The Region's allocation of \$12.3 million under the Canada Infrastructure Plan (ICIP) – COVID-19 Response Stream was communicated earlier last year. Final funding amounts will depend on a successful application of eligible capital projects.

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. 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. Mitigation strategies deployed throughout 2020 combined with support from senior governments are expected to allow the Region to avoid a deficit at year-end and contribute to the new Pandemic Management Reserve Fund approved by Council on December 10. The expected reserve balance will be confirmed as part of finalizing the Region's 2020 year-end financial results. Further updates will be provided as part of the Regional budget to be tabled on February 25.

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

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



Bruce Macgregor
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Attachments (1)