

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

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

Date: March 19, 2021

Re: Financial Impacts of COVID-19

This Memorandum summarizes the financial impacts of COVID-19 on the Region as of February 28, 2020. Key points include:

- Between January 1 and February 28, 2021, total financial impacts of COVID-19 were \$42.1 million, with average weekly impacts of \$5.2 million, in line with the weekly impacts reported in the prior memorandum.
- Provincial funding commitments made in early March 2021, including \$37.8 million for overall operating and transit impacts, will help offset COVID-19 impacts included in the Proposed 2021-2022 budget. An additional \$10.8 million was also announced for social services that should help extend the operation of the Region's transitional and self-isolation shelters.
- Preliminary estimates of total impacts in 2021 are approximately \$200 million. This includes the estimated impacts identified in the Proposed 2021 to 2022 Budget and recent funding commitments. Details of senior government assistance are included in the Attachment.
- In 2020, financial impacts of COVID-19 totaled \$186.5 million. Senior government funding of approximately \$90 million helped offset the overall impacts, resulting in a net impact to the Region of \$96.5 million. These costs were offset through the redeployment of resources, deferral of non-essential activities and other mitigation efforts.

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 COVID-19 as of February 28, 2021, including expenditures for pandemic response. Mitigation impacts are excluded, unless noted in the description.

Staff-related costs were \$12.9 million as of the end of February, up \$7.7 million from the end of January. The increase in payroll costs since January month-end is mostly driven by Public Health (\$4.6 million), Long-Term Care and Seniors' Services (\$1.1 million), and other branches in Community and Health Services (\$0.9 million).

Approximately 71% of the total staff-related impacts incurred in 2021 reflects costs in Public Health, Paramedic Services and Long-Term Care. Overtime costs accounted for \$2.3 million of the overall staff-related costs as of the end of February.

Non-payroll expenditures increased by just over \$3.7 million, totaling \$5.2 million in 2021 to date. Approximately \$1.7 million of the February increase relates to operating the transitional, self-isolation voluntary isolation shelters. The remainder relates to PPE for Paramedic Services and Long-Term Care, costs related to Public Health response, cleaning, and IT costs.

In February, new purchase orders for goods and services related to pandemic response totaled \$5 million for a total of \$13.97 million in new purchase orders opened in 2021. Commitments for nursing services, translation services and medical supplies required to operate the Region's immunization clinics and the ongoing Public Health response accounted for most of this amount.

Unspent purchase orders opened 2020 totaled approximately \$22.1 million. These are excluded from the total impacts. They are expected to be delivered in 2021 and will be reflected under non-payroll costs once expenses are incurred.

Table 1
Estimated 2021 Impacts of COVID-19 as at February 28

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
Payroll costs	Staff-related costs resulting from COVID-19 (e.g., staff time, overtime, wage enhancement payouts for Personal Support Workers and additional staff). Includes YRP staff-related costs. Excludes banked overtime.	12.86	1.61
Non-payroll costs	Includes gross program costs related to the COVID-19 response and other non-staff expenditures (e.g., health-related materials, quarantine and shelter costs).	5.20	0.65
Unspent Purchase Orders	Reflects Regional commitments to spend, with full spending not yet incurred. Includes all purchase orders opened in January 2021	13.97	1.75
Sub-Total Direct Impacts		32.03	4.00
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination.	0.32	0.04

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
Transit	Net impact of lower revenues from reduced ridership and advertising revenue, deferred fare increase and service reductions.	3.67	0.42
Water and Wastewater	Reduced revenues from deferral of the April 1 planned rate increase.	4.67	0.58
Court Services	Estimated reduction in revenues from Provincial Offences fines during Courts closure, net of staff and program-related savings. Amounts to be recovered will be determined once Courts fully re-open.	1.10	0.14
York Regional Police	Estimated reduction in revenues at Customer Resource Center, net of reduced spending on training, fleet fuel and maintenance, and other savings.	0.35	0.04
Sub-Total Indirect Impacts		10.10	1.23
Total		42.13	5.23

Note: Figures reflect gross expenditures and do not include grant revenue offsets. Attachment 1 illustrates the expected total revenues in 2021.

The Region is continuing to monitor other impacts including development charge collections and interest costs of the tax relief program continued into 2021

In the first two months of 2021, the Region collected almost \$66 million in development charges, representing 18% of the \$371M estimate included in the Region's budget. About 61% of these collections are from residential development. In 2020, the Region collected \$279 million in Development Charges (DC). The amount was below the \$362 million 2020 budget projection due, in part, to the effects of COVID-19. While DC collections were below the budgeted amount, the amount exceeded the year's principal and interest payment on DC-related debt by almost \$30 million.

On January 28, 2021, Council approved the extension of the tax relief program for the 2021 taxation year to support any local municipality continuing to offer payment flexibility to assist residential and business taxpayers.

In 2020, take-up for the program was low and the payment rate was high, with the Region collecting 99.9% of its tax revenues at the end of 2020. The impact of the delayed portion included approximately \$134,000 in additional interest costs.

Senior government funding commitments are expected to help address COVID-19 financial impacts in 2021

The Attachment to this Memorandum shows Federal and Provincial funding commitments to date.

As identified in a March 9, 2021 Memorandum, the Province announced additional funding to help municipalities cover COVID-19 operating costs. These funding commitments were not reflected in the Region's proposed 2021-2022 budget tabled on February 25, 2020 and include \$21.1 million for general municipal operating costs and pressures associated with COVID-19, and up to \$16.7 million to help offset transit impacts.

In addition, on March 10, 2021, the Region received a letter from the Province indicating an additional \$10.8M could be available through Phase 3 of the Social Services Relief Fund, subject to Provincial approval of the Region's proposed use of the funds. This funding is expected to support the continued operation of the Region's Transitional and Self-Isolation shelters through the remainder of 2021. Provincial funding provided through an earlier phase covered the projected cost of the shelters up to March 31, 2021.

As a result of the recently announced funding, the Region is expected to receive approximately \$99 million in senior government support for COVID-19 related operating impacts in 2021. As of the end of February, the Region has recognized approximately \$2 million of the \$99 million expected total, primarily related to funding for the school-focused nursing initiative in Public Health and for the Social Services Relief Fund. The Region also expects to incur Public Health costs of approximately \$37.5 million related to the COVID-19 response in 2021. The Province has committed to cover extraordinary Public Health costs, although the amount has not yet been confirmed.

In addition, federal funding of up to \$12.3 million may be available for infrastructure projects that support the COVID-19 response. The Region submitted an application to the Investing in Canada Infrastructure Program in December 2020 and is awaiting a response.

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 information related to the COVID-19 emergency is also reviewed and reported to senior management on a regular basis.

Laura Mirabella

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



Bruce Macgregor
Chief Administrative Officer

edocs# 12700865

Attachments (1)