

2021-2022 BUDGET FINANCIAL IMPACTS OF COVID-19

SPECIAL COUNCIL MEETING

December 10, 2020

eDocs #12164538



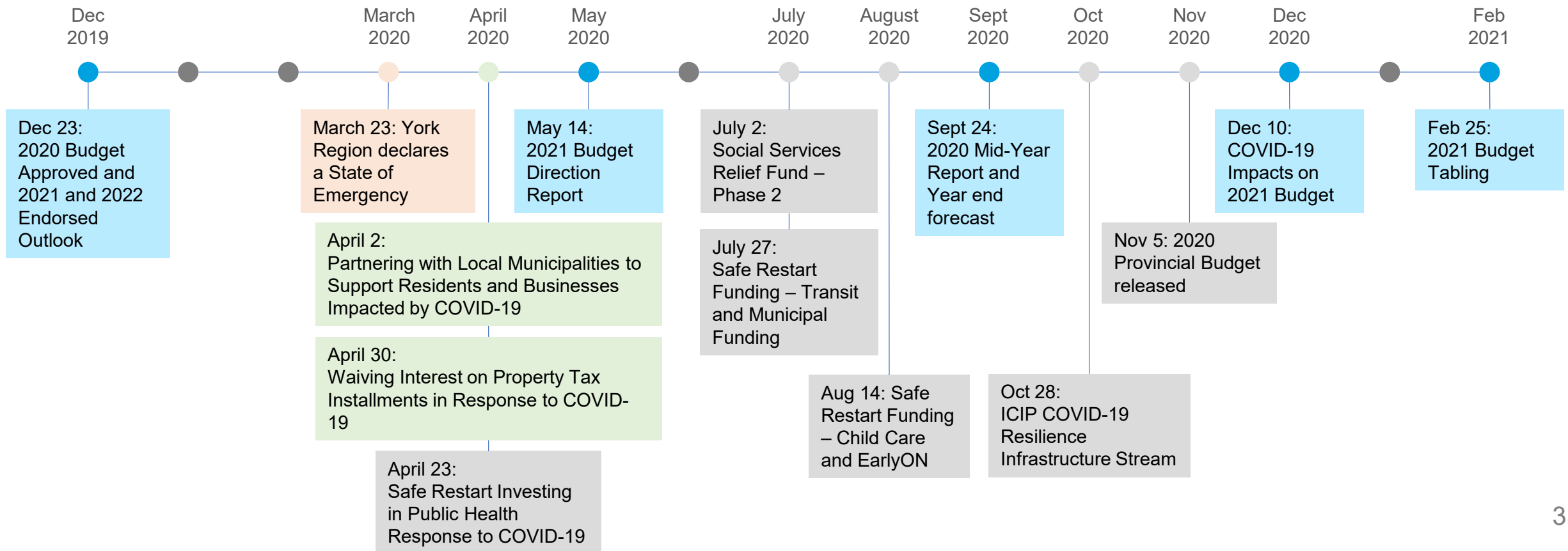
PURPOSE

- To provide an overview of expected 2021 budget pressures that were not anticipated in the outlook endorsed as part of the 2020 budget
- To seek your endorsement of a temporary change to how the Region deals with year-end surpluses
- To confirm the previously approved increase to water and wastewater rates for 2021



2021 BUDGET DEVELOPMENT TIMELINE

Monitoring and monthly reporting of COVID-19 impacts on York Region

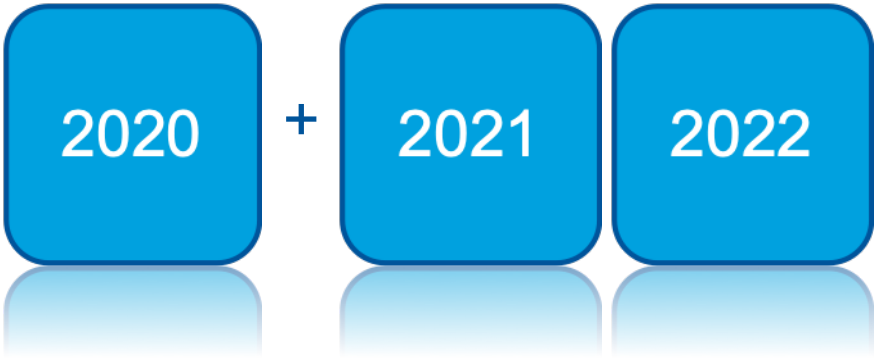


2020 APPROVED BUDGET AND ENDORSED OUTLOOK



Approved
Budget

Outlook



Tax Increase
Gross Expenditures
Net Expenditures

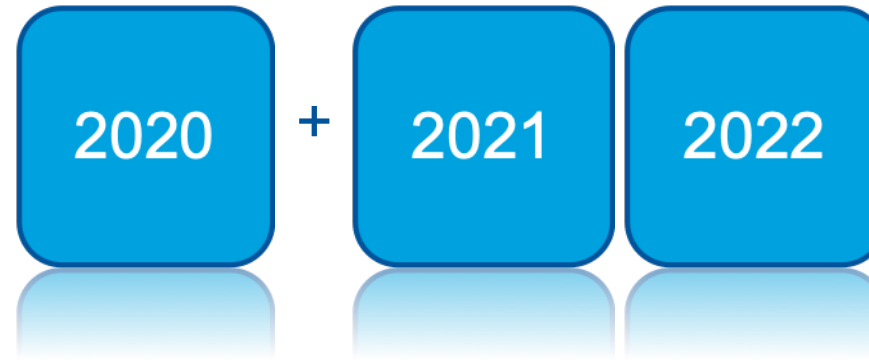
2.96%	2.96%	2.96%
\$2.5B	\$2.5B	\$2.6B
\$1.2B	\$1.2B	\$1.3B

2020 APPROVED BUDGET AND ENDORSED OUTLOOK



Approved
Budget

Outlook



Tax Increase

2.96%

2.96%

2.96%

Contribution to reserves

1.45%

1.43%

*Other Operating
Expenditures*

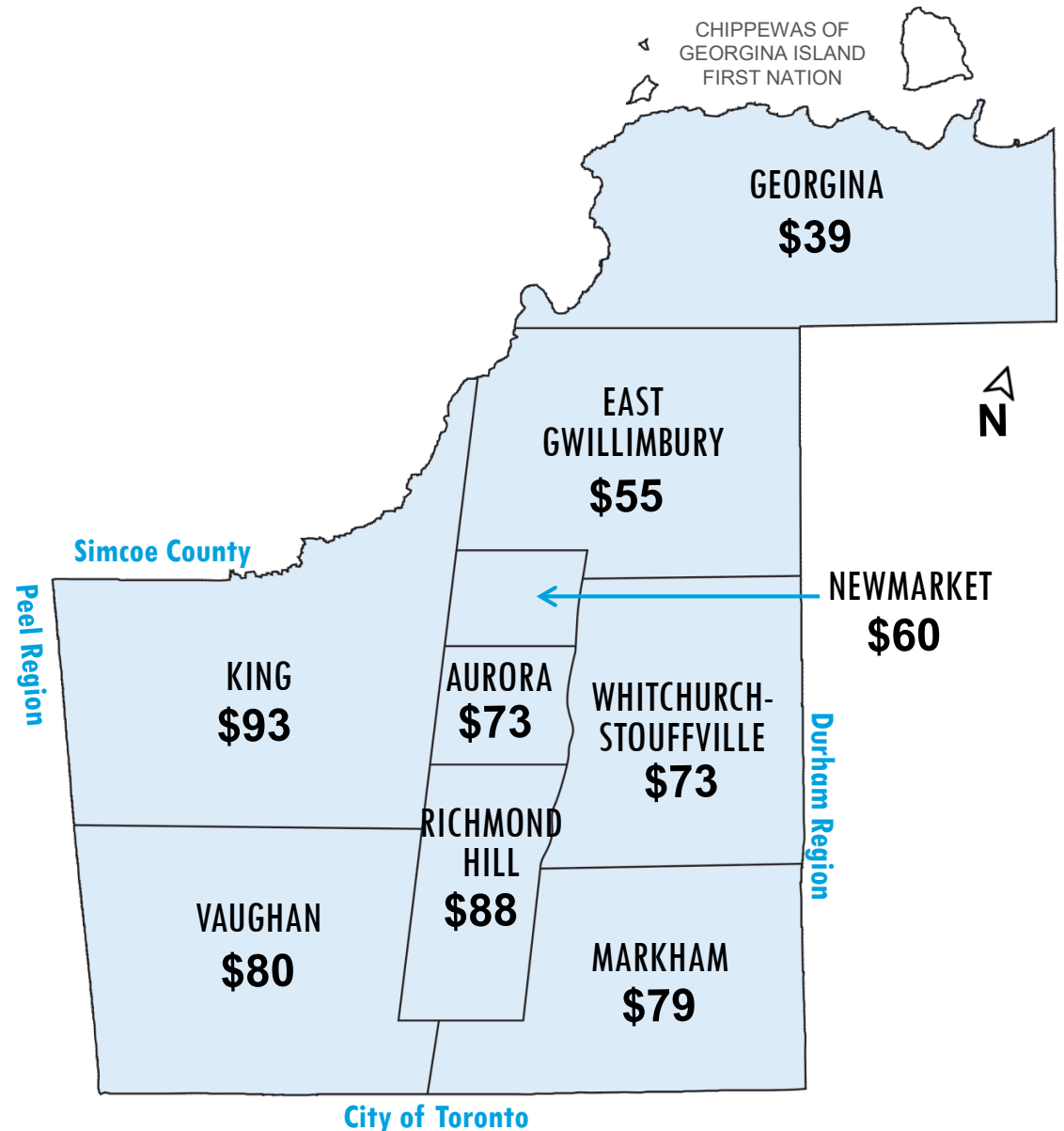
1.51%

1.53%

REGIONAL AND LOCAL TAX IMPACT ON HOMEOWNER IN 2021

- A tax levy increase of 2.96% in 2021 equates to \$76 per household, on average

Note: The average assessed value of a residential property in the Region is \$801,928



FORECASTED PRESSURES TOTAL \$70M IN 2021 AND \$45M IN 2022

	2021		2022	
	(\$M)	%	(\$M)	%
Net Expenditures Outlook*	1,223.8	2.96%	1,277.1	2.96%
Departmental Pressures	69.3	5.83%	39.1	3.13%
Assessment Growth Pressure	<u>0.3</u>	<u>0.02%</u>	<u>6.3</u>	<u>0.51%</u>
Total Pressures	69.5	5.85%	45.4	3.64%
Net Expenditures Forecast*	1,293.3	8.81%	1,322.5	6.60%
Reductions necessary to achieve outlook	<u>(69.5)</u>	<u>(5.85%)</u>	<u>(45.4)</u>	<u>(3.64%)</u>
Net Expenditures Outlook*	1,223.8	2.96%	1,277.1	2.96%

* After assessment growth

LARGEST PRESSURES ARE IDENTIFIED BY PUBLIC HEALTH AND TRANSIT

Department	2021 Pressure (\$M)	2022 Pressure (\$M)	Description
Community and Health Services	\$45.0M	\$10.9M	<ul style="list-style-type: none"> Ongoing costs associated with Public Health resourcing needs approved June 25th 2020 Immunization clinics Paramedic services costs associated with PPE and temporary resources Staffing, PPE, and isolation rooms costs in Long-term care homes to comply with legislation changes
Transportation Services	\$21.9M	\$20.6	<ul style="list-style-type: none"> Transit fare revenue loss due to expected ridership levels to be at 40% and 50% of 2019 level in 2021 and 2022, respectively, and deferral of transit fare increase in 2020 Bus advertising revenue lower than expected
Other Departments	\$2.3M	\$2.7M	<ul style="list-style-type: none"> Includes Court Services, Financial Initiatives
York Regional Police	-	\$4.6M	<ul style="list-style-type: none"> Bargaining impact, operating cost of new facilities, and other operating expenditure and revenue pressures
Assessment Growth	\$0.3M	\$6.3M	<ul style="list-style-type: none"> Reflects lower housing starts in 2019 and forecasted economic impact of COVID-19. <i>Note: 2022 amount to be updated in December.</i>
Total	\$69.5M	\$45.4M	

MITIGATIONS

Category 1: Efficiencies

- Redeploy staff and other resources to critical and essential service areas
- Business process improvements to support work-from-home

Category 2: Service Level Adjustment

- Transit service adjustments in response to reduced ridership
- Deferring non-essential activities as necessary

Category 3: Risk Tolerance and Other

- Deferring all non-COVID-19 related recruiting
- Introducing Region-wide savings targets in department budgets
- Including senior government revenues for new funding commitments where details are confirmed
- Using stabilization reserve to manage impact of deferred water rate increases

CHS PRESSURES ARE LARGELY RELATED TO PUBLIC HEALTH AND LONG-TERM CARE

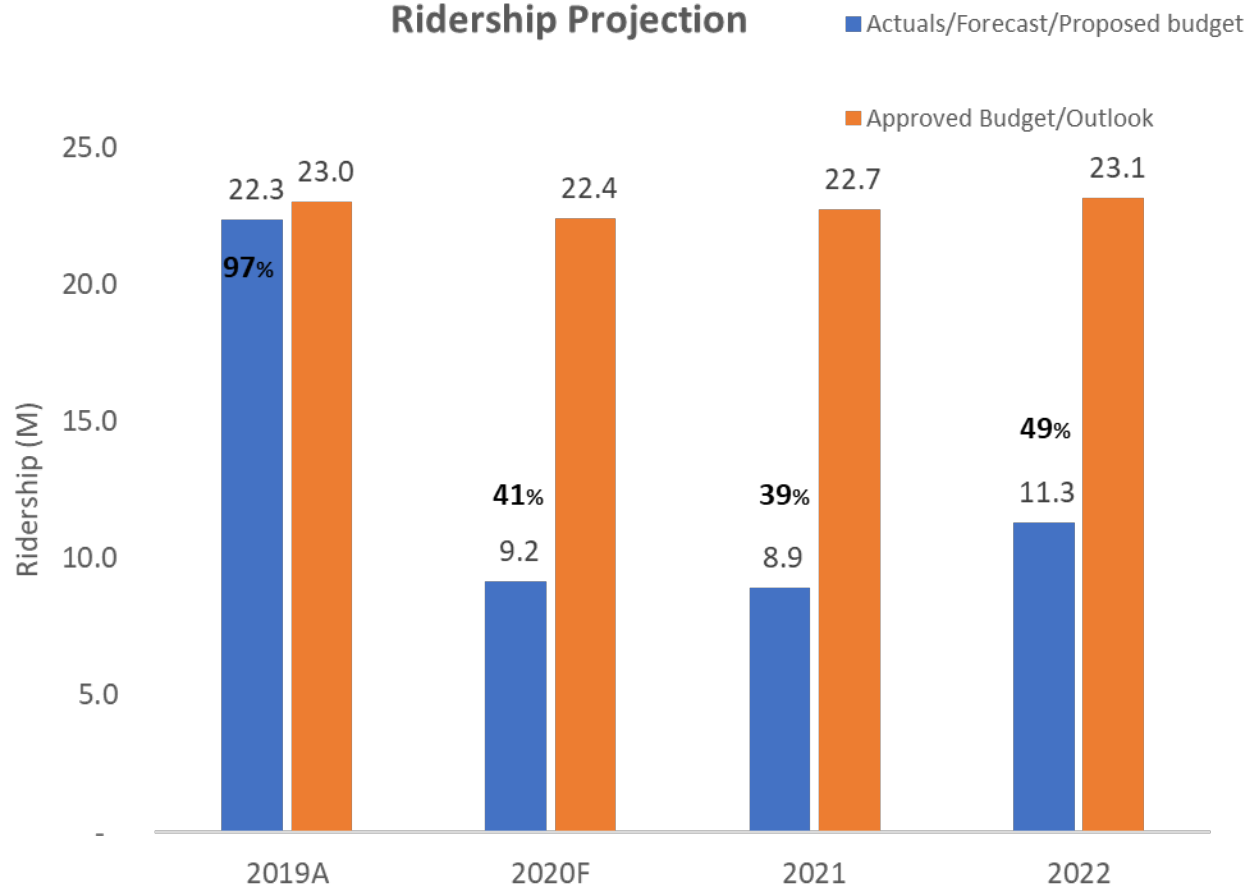
Community and Health Services		2021	2022
Net Tax Levy		\$M	\$M
Pressures	Public Health	38.8	7.2
	Long-Term Care	8.8	5.8
	Paramedic Services	6.0	1.0
	Other	6.8	6.5
		60.4	20.5
Mitigations		(15.4)	(9.6)
Above/(Below) outlook		45.0	10.9

TRANSPORTATION SERVICES PRESSURES ARE LARGELY TRANSIT RELATED

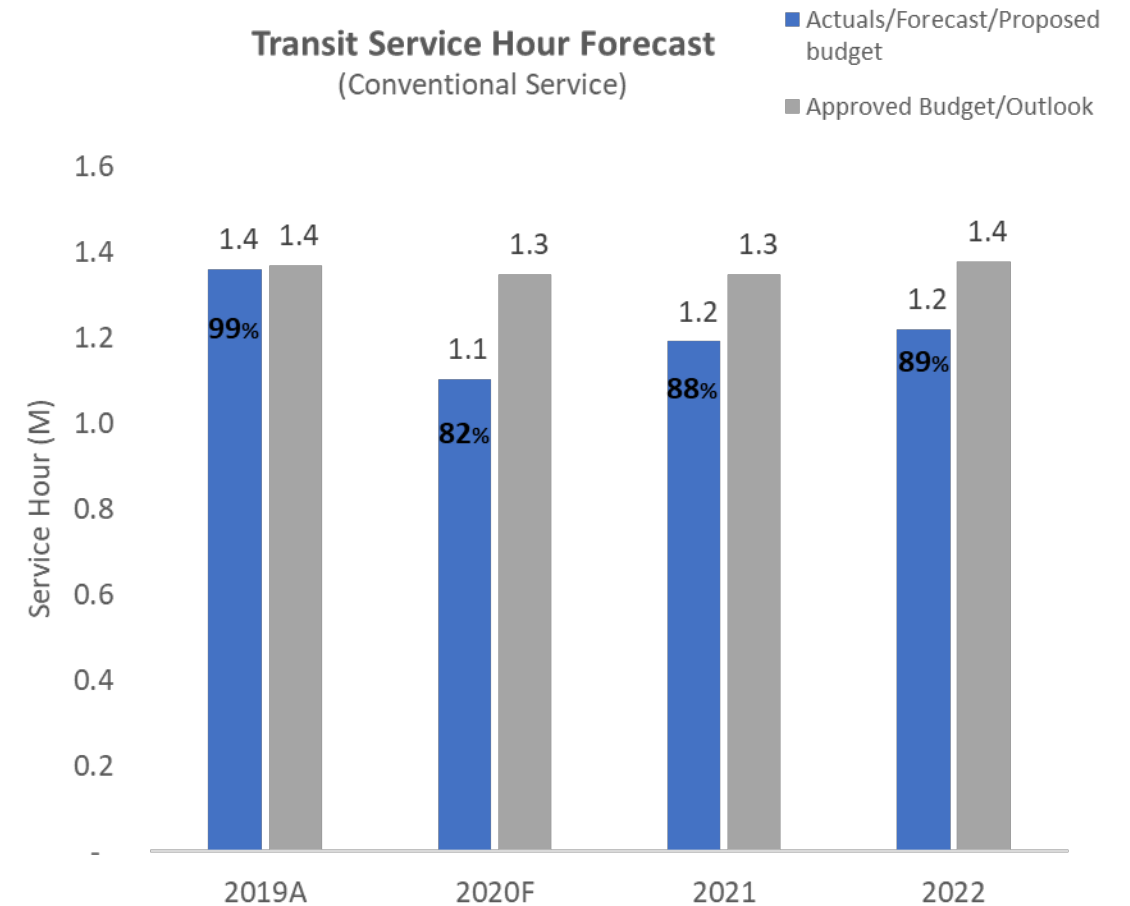
Transportation Services		2021	2022
Net Tax Levy		\$M	\$M
Pressure	Transit	50.9	45.5
	Roads	-	0.5
		50.9	46.0
Mitigations		(29.0)	(25.4)
Above/(Below) outlook		21.9	20.6

TRANSPORTATION SERVICES — KEY BUDGET DRIVERS FOR TRANSIT

Ridership Projection



Transit Service Hour Forecast (Conventional Service)



SENIOR GOVERNMENT FUNDING IS EXPECTED TO HELP OFFSET PRESSURES IN 2020 AND 2021

Funding Program	Operating Funding Committed to Date (\$M)	Potential Additional Funding (\$M)
Safe Restart - Municipal Operating Funding Phase1	23.5	7.2
Safe Restart – Municipal Transit Funding – Phases 1 & 2	17.1	7.2
Safe Restart – Child Care and EarlyON	14.2	
Social Services Relief Fund – Phases 1 & 2	13.4	
Investing in Public Health Response to COVID-19* (Forecasted)	20.1	37.5
ICIP: COVID-19 Resilience Infrastructure Stream		12.3**
Others	4.7	
Total	93	57

*Figures reflect extraordinary costs of the Public Health response in 2020 and 2021

**ICIP funding has been committed but is only for capital expenses

SENIOR GOVERNMENT FUNDING IS EXPECTED TO HELP OFFSET PRESSURES IN 2020 AND 2021

- A new proposed pandemic reserve would hold unused senior government funding and any surplus:

Funding Program	(\$M)
Total Committed Funding 2020	(93)
Less: Dedicated Funding	
Safe Restart – Child Care and EarlyON	14.2
Social Services Relief Fund – Phases 1 & 2	11.2
Other Funding	<u>4.7</u>
Sub-Total	(62.9)
Expected 2020 Year-End (Surplus)/Deficit*	-
Potential 2020 Contribution to Pandemic Reserve	(62.9)

*Year-end forecast excludes impact of Public Health and Transit Safe Restart Funding

PANDEMIC RESERVE DRAW AND ADDITIONAL FUNDING TO ARRIVE AT OUTLOOK

	2021		2022	
	Net (\$M)	%	Net (\$M)	%
2020 Budget Outlook*	1,223.8	2.96%	1,277.1	2.96%
Total Known Pressures	69.5	5.85%	45.4	3.64%
<i>Potential Budget Risks (0-\$50M)</i>				
Less: Estimated funding for Public Health	(37.5)	(3.15%)	(5.9)	(0.47%)
Less: Pandemic Reserve Draw	(32.0)	(2.69%)	(30.9)	(2.49%)
Potential Additional Mitigation**	-		(8.7)	(0.68%)
Forecasted Outlook*	1,223.8	2.96%	1,277.1	2.96%

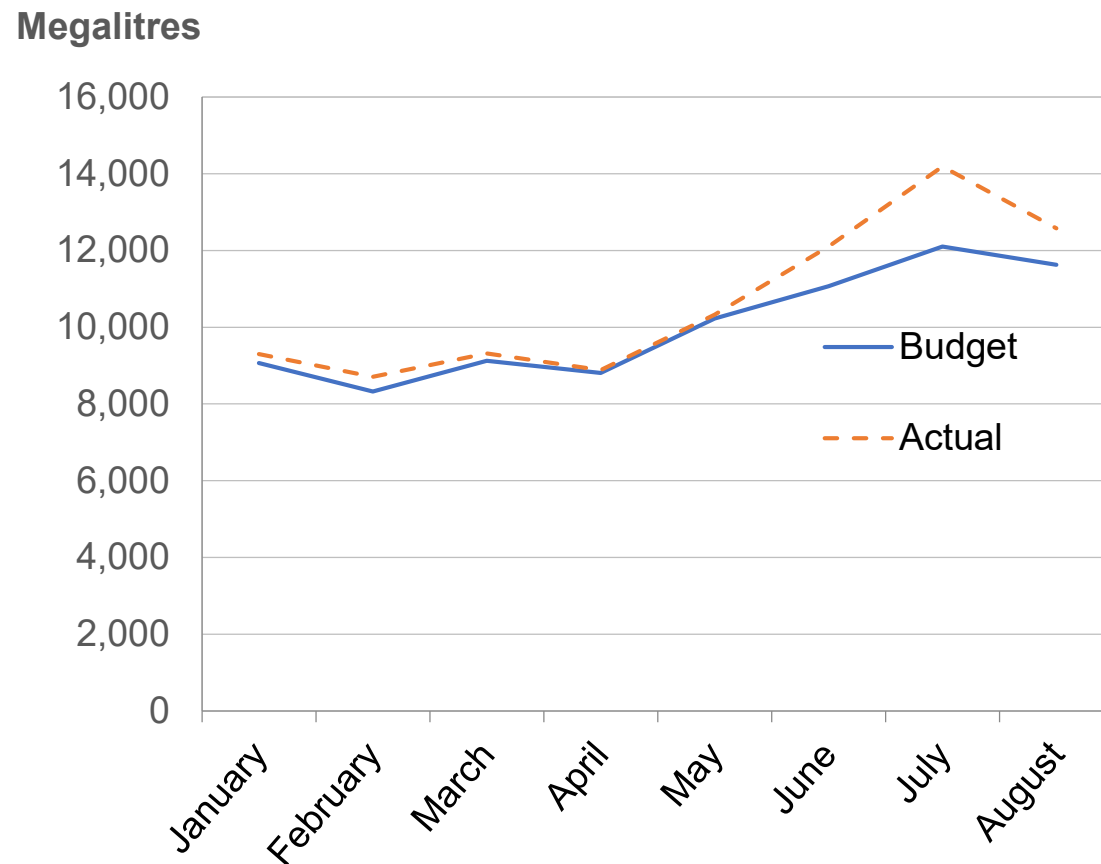
Figures are rounded

* After assessment growth

** May include senior government funding or draws from regional stabilization reserves

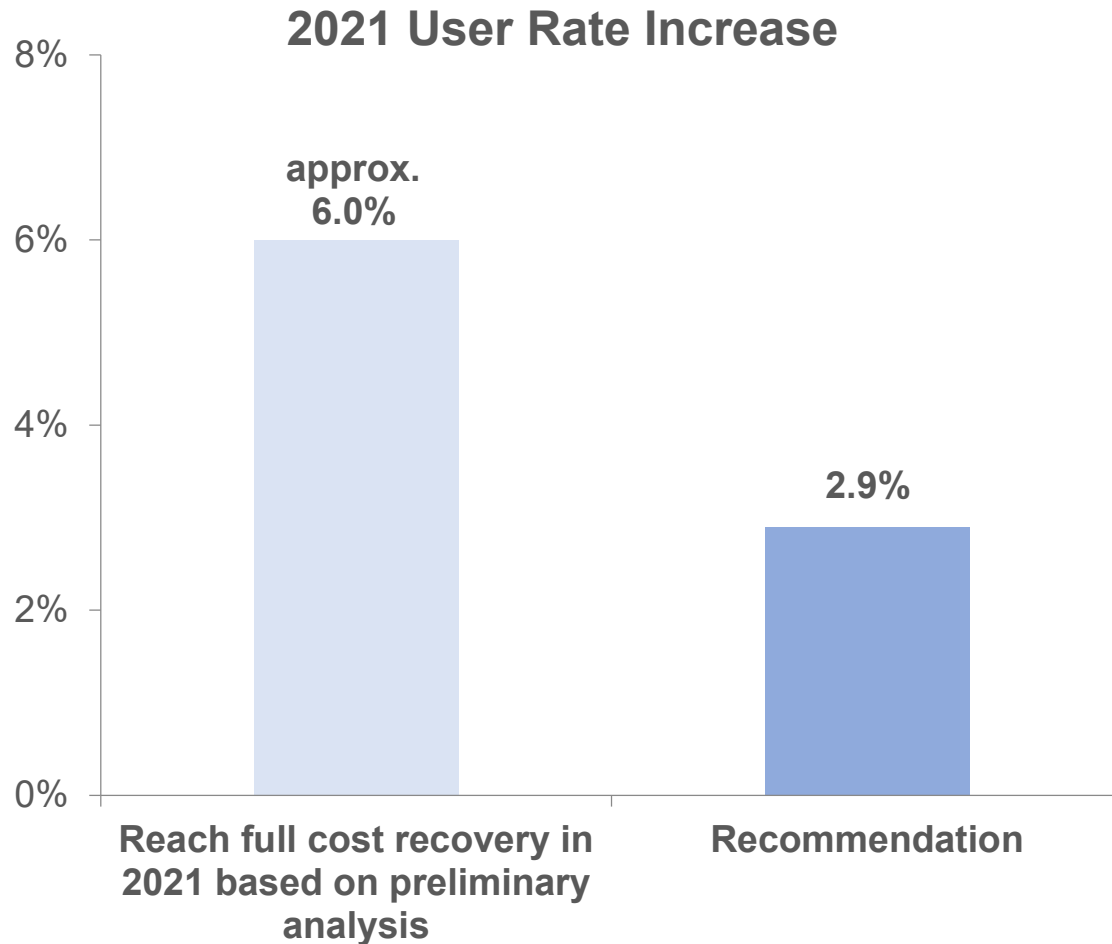
MANAGING THE IMPACT OF KEEPING WATER / WASTEWATER RATES AT 2019 LEVELS

Actual Water Flows in 2020 compared to Budget



- Estimated revenue shortfall of \$25 million in 2020 reflected:
 - Council's decision to forego a rate increase in 2020
 - That flows remained as budgeted
- Higher actual flows have mitigated the revenue impact
- Operating efficiencies have reduced spending, as well

MAINTAINING AN INCREASE OF 2.9% FOR 2021 STRIKES A BALANCE



- Maintaining the previously approved rate increase of 2.9% for 2021 strikes a balance between the ongoing impact of COVID-19 and the Region's long-term financial sustainability
- A 2.9% increase is lower than 2021 planned rate increases by most neighbouring jurisdictions
- The rate study underway will include a recommendation on how to close the gap to full cost recovery in future years

FORECASTED RESERVE BALANCES AS AT YEAR END 2020

Reserve Balance (\$Millions)	Tax Levy	User Rates	Development Charges	Other	Total	2020 Target*
Asset Replacement Reserves	1,203	528			1,731	1,800
Growth Capital Reserves	371		263	86	720	710
Debt Reduction Reserve	241				241	At Target
Stabilization Reserves**	109	38		115	262	At Target
Other Corporate Reserves	96			1	97	At Target
Human Resources Reserves***	116				116	250
Total	2,136	566	263	202	3,167	

*These targets currently exclude subway cashflow needs (\$1.3 billion)

**Other includes proposed Pandemic Management Reserve balance of \$63 million

***Target represents contingent liability. Expected annual costs are included in approved budget figures (e.g., WSIB, LTD, health & dental)

PANDEMIC RESERVE AND WW_w REPORT RECOMMENDATIONS

Establishment of Pandemic Management Reserve Fund

1. Council establish a Pandemic Management Reserve Fund to help fund any future tax-supported expenditure or revenue shortfall that may arise due to COVID-19.
2. Council approve the temporary suspension of the Surplus Management Policy and authorize the contribution of any future tax-supported operating surpluses to the Pandemic Management Reserve Fund.
3. Council approve the contribution of any unrestricted COVID-19 related funding from other levels of government, including the Municipal funding under the Safe Restart Agreement, to the Pandemic Management Reserve Fund.
4. The Regional Solicitor be authorized to prepare the necessary bylaw.

2021 Water and Wastewater User Rate

1. Regional Council confirm the previously approved 2.9% increase in the combined water and wastewater wholesale rate for the year beginning April 1, 2021, an increase from the existing \$3.07 per cubic meter to \$3.16 per cubic meter.
2. Regional Clerk circulate this report to the local municipalities.

2021 BUDGET APPROVAL TIMELINE



THANK YOU

