

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

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

Date: April 20, 2021

Re: Financial Impacts of COVID-19

This Memorandum summarizes the preliminary financial impacts of COVID-19 on the Region as of March 31, 2021. Key points include:

- Between January 1 and March 31, 2021, estimated total financial impacts of COVID-19 were \$87.3 million, with average weekly impacts of \$6.7 million. These are higher than the weekly impacts of \$5.2 million reported in the prior memorandum due to new unspent purchase orders relating primarily to the mass immunization initiative and the transfer of Federal Safe Restart grant revenues to childcare providers.
- Updated estimates of the public health response costs, including the mass immunization program, suggest costs will be higher than projections developed as part of the 2021 budget. Updated forecast assumptions regarding the distribution of vaccines and associated costs suggest a potential additional impact of \$60 million to \$90 million in 2021. These costs would be in addition to projected total COVID-19 financial impacts of approximately \$200 million identified in the previous memorandum.
- A January 13, 2021 letter from the Ministry of Health reaffirmed the Province's commitment to provide support for extraordinary public health costs in 2021, similar to the approach followed in 2020. Earlier this month, the Region submitted a business case for Provincial funding to support all incremental costs of the public health response to COVID-19, including the most recent projections. This information will be reviewed regularly, and any updates will be provided to the Province on a quarterly basis.
- Senior government funding commitments since the previous memorandum include \$7.1 million to support the operation of isolation spaces through June 2021 and \$33.8 million through the Federal Gas Tax Top-up for eligible infrastructure projects to support economic recovery from the pandemic. Further information on senior government assistance is included in the Attachment.

Preliminary first quarter financial impacts of COVID-19 totaled \$87.3 million, or an average of \$6.7 million per week

Table 1 includes preliminary financial impacts associated with COVID-19 as of March 31, 2021, including expenditures for pandemic response. Mitigation impacts, including funding from senior governments, are excluded unless noted in the description.

While it is difficult to predict whether the monthly impacts will continue at the current rates and whether the overall impacts will be within the budgeted amounts at year-end, preliminary analysis suggests that first quarter impacts are within the projections included as part of the Region's 2021 budget. However, the higher projected costs related to the Public Health response suggest that in the coming months these impacts will begin to outpace the budgeted amounts.

Staff-related costs were \$21.2 million as of the end of March, up \$8.3 million from the end of February. Similar to prior months, the increase in payroll costs since February month-end is mostly driven by Public Health (\$4.6 million), Long-Term Care and Seniors' Services (\$0.7 million), and other branches in Community and Health Services (\$1.3 million).

Approximately 72% of the total staff-related impacts incurred in 2021 reflects costs in Public Health, Paramedic Services and Long-Term Care. Overtime costs accounted for \$3.8 million of the overall staff-related costs as of the end of March.

Non-payroll expenditures increased by just over \$10.4 million in March, totaling \$15.7 million in 2021 to date. Approximately \$5.4 million of the March increase relates to the transfer of Federal Safe Restart funding to childcare providers and costs of emergency childcare. Other non-payroll expenditure increases in March reflect ongoing operations of the transitional, self-isolation voluntary isolation shelters, PPE and health-related supplies for Paramedic Services and Long-Term Care, costs related to Public Health response including the mass immunization program, and cleaning.

In March, unspent purchase orders increased by approximately \$21.2 million for a total of \$35.2 million to date. This reflects \$11.6 million in new purchase orders opened in March primarily for services in support of the mass immunization program, and an existing purchase order increase of \$9.3 million related to voluntary isolation center services delivered through the Region's partnership with the Canadian Red Cross.

Table 1
Estimated 2021 Impacts of COVID-19 as at March 31

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.	21.20	1.63
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).	15.65	1.20
Unspent Purchase Orders	Reflects commitments to spend, with full spending not yet incurred. Includes all unspent purchase orders opened in January through March 2021	35.15	2.70
Sub-Total Direct Impacts		71.99	5.54
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination.	0.40	0.03
Transit	Net impact of lower revenues from reduced ridership and advertising revenue, deferred fare increase and service reductions.	5.18	0.34
Water and Wastewater	Reduced revenues from deferral of the April 1 planned rate increase.	7.54	0.63
Court Services	Estimated reduction in revenues from Provincial Offences fines during Courts closure, net of staff and program-related savings.	1.67	0.13
York Regional Police	Estimated reduction in revenues at Customer Resource Center, net of reduced spending on training, fuel, maintenance, and other savings.	0.52	0.04
Sub-Total Indirect Impacts		15.31	1.17
Total		87.30	6.71

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

Figures are preliminary and may not reflect all impacts recorded during March due to the timing of reporting.

Public Health costs are expected to be higher than projected in the Region's budget and will be included in the Region's submission for Provincial funding

Updated estimates of the public health response costs suggest costs will be higher than the projections developed as part of the 2021 budget. The updated estimates reflect the experience to date and projections for needs, including staffing, supplies and support costs. Projected costs for immunization are a key contributor to the updated cost estimates. Key updates to the assumptions used to develop the budget figures include the need to deliver two doses rather than one for each vaccination and to reflect the actual experience to date regarding the Region's role in delivering immunizations.

The revised estimates suggest that costs to deliver the Public Health response and the mass immunization program are between \$60 million and \$90 million higher than the costs included in the budget. At this time, a range of costs is presented as various factors may influence the actual costs incurred. These include the number of COVID-19 cases requiring case management, the number and share of immunizations administered by Public Health compared to third parties, and the overall length and severity of the pandemic.

Earlier this month, the Region submitted a business case to the Province with the latest estimates of expected incremental costs of the Public Health response, including immunization. The Province also requires quarterly reports and updated forecasts throughout the year to support the cost reimbursement process. On January 13, 2021, a letter from the Ministry of Health acknowledged the ongoing need for Public Health measures to monitor, detect and contain the COVID-19 response through 2021 and confirmed that there would be a reimbursement process for extraordinary costs incurred in 2021, similar to 2020.

Additional information will be included in a Memorandum on Public Health's COVID-19 emergency response update to be provided to Committee of the Whole as part of the May 13, 2021 meeting.

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 assist the Region address COVID-19 financial impacts. Funding commitments to date indicate the Region should receive \$103.5 million in operating-related funding in 2021. In addition, if the Province provides the Region's requested funding to offset extraordinary costs in Public Health, the Region will receive a further \$97.5 million to \$127.5 million.

The Attachment shows that since the March 22 Memorandum, the Region received three new funding commitments from the Province:

- \$7.1 million through the Ontario Isolation Centres Initiative, which will allow for the continued provision of 280 isolation spaces through June 2021.
- One-time funding of \$1.3 million to support the Paramedic Services COVID-19 response in November and December 2020 and the first quarter of 2021.

- One-time funding of \$0.1 million to support Paramedic Services for the implementation of a centralized Incident Management System.

Capital funding commitments related to COVID-19 include an additional \$33.8 million in Federal gas tax funds announced on March 25, 2021. The commitment was included as part of proposed legislation to provide an additional \$2.2 billion to municipalities and First Nations for short-term infrastructure priorities to help promote economic recovery from the pandemic. If approved by Parliament, the funds would flow through the federal Gas Tax Fund, which would be renamed the Canada Community-Building Fund. Municipalities would receive a one-time 'top-up' that would nearly double the allocation amount. York Region's 2021 top-up allocation of \$33.8 million would increase the existing allocation of \$35.2 million to \$69.0 million.

Under the current Federal gas tax program, municipalities are required to invest the fund incrementally, to complement and not to replace other sources of infrastructure funding. The top-up funding can be applied to a range of capital expenditures. Upon the passing of the proposed legislation, staff will report back on the proposed use of the fund.

In addition, the Region was allocated \$12.3 million through the Investing in Canada Infrastructure Program for infrastructure projects that support the COVID-19 response. In December 2020, the Region submitted a list of proposed projects to Federal officials for approval under the program 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



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Chief Administrative Officer

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Attachments (1)