

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

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

Date: May 25, 2021

Re: Financial Impacts of COVID-19

This Memorandum summarizes the financial impacts of COVID-19 on the Region as of April 30, 2021. Key points include:

- Between January 1 and April 30, 2021, estimated total financial impacts of COVID-19 were \$117 million, with average weekly impact of \$7.6 million. The amount is higher than the weekly impact of \$6.7 million reported in the April 20 memorandum due to increased costs in Public Health and due to the deferral of water and wastewater rate increases that were previously planned for April 1, 2021.
- Approximately one-fifth of the total impacts recorded to date in 2021 relate to the delivery of the Region's mass immunization program. By April 30, 2021, impacts of the mass immunization program totaled approximately \$26 million, or \$1.5 million per week.
- As reported in the April 20 memorandum, updated estimates of the Public Health response costs, including the mass immunization program, suggest costs will be \$60 to \$90 million higher than projections developed as part of the 2021 budget. These costs would be in addition to the previously reported projected total COVID-19 financial impacts of approximately \$200 million.
- 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. In April, 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.
- To date, projected funding from senior governments for COVID-19 related operating impacts in 2021 includes \$103.7 million in confirmed funding, and up to \$127.5 million for Public Health costs, as suggested in the Provincial letter sent on January 13.

Preliminary 2021 financial impacts of COVID-19 totaled \$117 million by April 30, or an average of \$7.6 million per week

Table 1 includes preliminary financial impacts associated with COVID-19 as of April 30, 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 impacts to the end of April mostly align with the projections included as part of the Region's 2021 budget. However, the higher projected costs related to the Public Health response are above the budgeted amounts.

As of April 30, staff-related costs were \$31.8 million, up \$10.6 million compared to the April 20 memorandum. This increase is primarily driven by Public Health including the mass immunization program (\$7.1 million), Long-Term Care and Seniors' Services (\$0.8 million), and other branches in Community and Health Services (\$1.3 million).

Similar to prior months, approximately 73% of the total staff-related impacts incurred in 2021 reflect costs in Public Health, Paramedic Services and Long-Term Care. Overtime costs accounted for \$5.9 million of the overall staff-related costs.

Non-payroll expenditures increased by \$7.5 million since the April 20 memorandum, totaling \$23.2 million to date in 2021. Approximately 75% of the increase relates to the ongoing Public Health response including immunization, and ongoing operations of the transitional, self-isolation voluntary isolation shelters. Other non-payroll expenditure increases in April reflect PPE and health-related supplies for Paramedic Services and Long-Term Care, IT, and cleaning.

In April, unspent purchase orders increased by approximately \$5 million, for a total of \$40 million to date in 2021. This reflects \$5.7 million in new purchase orders opened in April primarily for staffing, healthcare services, and other needs in support of the mass immunization program, offset by a total reduction of approximately \$0.8 million for purchase orders opened in January through March as these commitments continue to be fulfilled and reflected in non-payroll gross costs.

The unspent purchase order figures in Table 1 exclude approximately \$25 million in unspent purchase orders opened in 2020. Any purchases related to this amount in 2021 will be reported as part of the non-payroll costs category in the table.

Table 1
Estimated 2021 Impacts of COVID-19 as at April 30

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.	31.81	2.45
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).	23.17	1.36
Unspent Purchase Orders	Reflects planned and potential commitments since January, 2021 to acquire goods and services	40.05	2.36
<i>Sub-Total Direct Impacts</i>		95.02	6.17
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination.	0.56	0.03
Transit	Impact of lower revenues from reduced ridership, lower advertising revenue and deferred 2020 fare increase, net of reduced spending from reduced service requirements	7.32	0.37
Water and Wastewater	Reduced revenues from deferral of the April 1, 2020 and April 1, 2021 planned rate increases.	10.93	0.84
Court Services	Estimated reduction in revenues from Provincial Offences fines during Courts closure, net of staff and program-related savings.	2.07	0.12
York Regional Police	Estimated reduction in revenues at Customer Resource Center, net of reduced spending on training, fuel, maintenance, and other savings.	1.17	0.07
<i>Sub-Total Indirect Impacts</i>		22.05	1.43
Total		117.08	7.60

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

Total 2021 Public Health impacts are expected to be higher than budgeted amounts

As noted in the April 20 memorandum, 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. Including the budgeted figures, total Public Health-related costs in 2021 are estimated to be \$100 to \$130 million. The revised estimates reflect the experience to date and projections for needs, including staffing, supplies and support costs.

Projected impacts of the immunization program make up the majority of expected 2021 Public Health costs. Key updates to the assumptions used to develop the budget figures included the need to deliver two doses rather than one for each vaccination and to reflect the actual experience regarding the Region’s role in delivering immunizations.

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.

Immunization costs account for approximately \$26 million of the \$117 million total Regional impacts to date in 2021

Impacts of the Region-wide immunization program to date are summarized in Table 2. The impacts shown in Table 2 are included in the total \$117 million impacts summarized in Table 1.

Table 2
Estimated 2021 Impacts of COVID-19 as at April 30 – Immunization Program
Figures are included in costs shown in Table 1

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
Payroll costs	Staff-related costs related to the immunization response including overtime and redeployed York Region staff. Excludes banked overtime.	2.80	0.16
Non-payroll costs	Includes agency staffing, medical supplies, occupancy costs, technology, general and administrative expenses	2.41	0.14
Unspent Purchase Orders	Reflects planned spending on goods and services, with full spending not yet incurred. Includes all unspent purchase orders opened in January through April 2021	20.74	1.22
Total		25.96	1.53

In April, the Region submitted a business case to the Province with the latest estimates of expected 2021 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.

Should additional information become available, it 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 June 10, 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 \$103.7 million in operating-related funding in 2021.

In May, the Province announced the Region would receive an additional \$2 million in infection prevention and outbreak control funding for the COVID-19 response in Long-Term Care homes for the second quarter of 2021. This was mostly offset by a reduction in expected 2021 funding related to the Provincial High Priority Communities Strategy. The Province has funded actual costs associated with operating voluntary isolation centers through the first quarter. Actual costs were approximately \$2 million lower than the total \$7 million funding allocation due to the timing of the program ramp-up and below capacity occupancy.

If the Province provides the Region's requested funding to offset extraordinary costs in Public Health, the Region will receive \$97.5 million to \$127.5 million in addition to the \$103.8 million in committed funding to date.

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 for approval under the program. Since the April 20 memorandum, the Region received approval for three of the five projects submitted, and is awaiting a response for the remaining two projects.

Ongoing monitoring and updates will be provided on the financial impacts of COVID-19

Financial information related to the COVID-19 emergency is reviewed by senior management on a regular basis and will continue to be reported to Council as required. The Region is also working with staff in other Greater Toronto and Hamilton Area municipalities to share data on COVID-19 financial impacts to support discussions by Mayors and Chairs.

Laura Mirabella

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



Bruce Macgregor
Chief Administrative Officer

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Attachments (1)