

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

From: Jason Li, CPA, CA
Acting Commissioner of Finance and Regional Treasurer

Date: September 20, 2021

Re: Financial Impacts of COVID-19 as at August 31, 2021 YTD

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

- Between January 1 and August 31, 2021, estimated total financial impacts of COVID-19 were \$209 million, with an average weekly impact of \$6 million.
- Approximately one-quarter of the total impacts recorded to date in 2021 relate to the delivery of the Region's mass immunization program. By August 31, 2021, impacts of the mass immunization program totaled approximately \$50 million, or an average of \$1.5 million per week.
- As reported in the April 20 memorandum, 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.
- 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 July, the Region received an initial payment from the Province of \$52.7 million towards these costs.
- Projected funding from senior governments for COVID-19 related operating impacts in 2021 includes \$171 million in confirmed funding to date, and up to \$77 million in additional funding expected to be received for Public Health costs for the second half of the year.

Preliminary 2021 financial impacts of COVID-19 totaled \$209 million by August 31, or an average of \$6 million per week

Table 1 includes preliminary financial impacts associated with COVID-19 as of August 31, 2021, including expenditures for pandemic response. Mitigations, including funding from senior governments, are excluded unless noted in the description. Between January 1 and August 31, 2021, estimated total financial impacts of COVID-19 were \$209 million, with an average weekly impact of \$6 million.

As of August 31, staff-related costs were \$63.4 million, up \$23.2 million compared to the June 21 memorandum. This increase is primarily driven by Public Health (\$14.2 million), Long-Term Care and Seniors' Services (\$2.7 million), and other branches in Community and Health Services (\$3 million).

Approximately 84% of total staff-related impacts to date, or \$53.5 million, incurred in 2021 reflect costs in Public Health, Paramedic Services and Long-Term Care, up from approximately 73% as reported in the June 21 memorandum. Overtime costs accounted for \$9.1 million, or 14% of the overall staff-related costs.

Non-payroll expenditures increased by \$25.5 million since the June 21 memorandum, totaling \$57.6 million to date in 2021. Approximately 64% of the increase relates to the ongoing Public Health response including immunization, and ongoing operations of the transitional, voluntary self-isolation shelters. Other non-payroll expenditure increases since May reflect transfers to community partners through the Community Investment Fund, staffing and supplies for the continued response in Long-Term Care homes, and ongoing enhanced cleaning, PPE and supplies across multiple service areas.

Since the update provided in the June 21 memorandum, unspent purchase orders decreased by \$0.3 million, for a total of \$41 million to date in 2021. This figure reflects a decrease of \$1.3 million as purchase orders opened earlier in the year were fulfilled and reflected in the non-payroll expenditures described in the previous paragraph. This amount was offset by approximately \$1 million in new purchase orders for expenditures in Long-Term Care homes, resources to support Public Health, PPE and other supplies and services.

The unspent purchase order figures in Table 1 exclude approximately \$21 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 Impacts of COVID-19 as at August 31, 2021

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.	63.41	1.86
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).	57.55	1.69

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
Unspent Purchase Orders	Reflects planned and potential commitments to acquire goods and services since January, 2021	41.43	1.22
Sub-Total Direct Impacts		162.39	4.78
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination.	1.60	0.05
Transit	Impact of lower revenues from reduced ridership, lower advertising revenue and deferred 2020 fare increase, net of reduced spending from reduced service requirements	15.11	0.27
Water and Wastewater	Reduced revenues from deferral of the April 1, 2020 and April 1, 2021 planned rate increases.	25.61	0.73
Court Services	Estimated reduction in revenues from Provincial Offences fines during Courts closure, net of staff and program-related savings.	4.18	0.12
York Regional Police	Estimated reduction in revenues at Customer Resource Center, net of reduced spending on training and other savings.	0.58	0.02
Sub-Total Indirect Impacts		47.08	1.19
Total		209.47	5.97

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

The 2021 budget reflected estimated impacts totaling approximately \$210 million. Since the impacts as of August 31, 2021 total \$209 million, the Region can expect to see higher gross impacts than those initially included in the budget, before accounting for internal mitigations and Provincial funding offsets. While it is challenging to predict the monthly impacts for the rest of 2021 and whether the overall impacts will be within budget at year-end, other than for Public Health, preliminary analysis suggests that impacts to the end of August mostly align with the projections included as part of the Region's 2021 budget. Although spending to date was higher than the budget estimate for the Public Health response, the Region received a funding commitment from the Province to cover extraordinary costs in 2021. The remaining impacts continue to be managed within the overall Public Health cost-shared budget.

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

As noted in the previous memorandums, estimated 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. The projections reflect the recent transition from mass immunization clinics to mobile and pop-up clinics at community and commercial locations, the development of a targeted approach to increase vaccine confidence, as well as planned delivery of third doses of the vaccine for members of vulnerable populations.

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 \$50 million of the \$209 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 \$209 million impacts summarized in Table 1.

Table 2
Estimated Impacts of COVID-19 as at August 31, 2021 – Immunization Program

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.	11.05	0.32
Non-payroll costs	Includes agency staffing, medical supplies, occupancy costs, technology, general and administrative expenses	15.42	0.45
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 August 2021	23.37	0.69
Total		49.83	1.47

Note: Figures are included in costs shown in Table 1.

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. 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.

A July 22, 2021 letter included the Region's Public Health funding allocation for the 2021-2022 funding year, including \$52.7 million in one-time funding to offset approximately 50% of the Region's projected extraordinary Public Health costs in 2021. The Region will continue to provide quarterly reports to the Province to support the reimbursement process. The final funding amount will be based on total eligible extraordinary costs incurred by year-end. If the Region's eligible extraordinary costs total between \$100 and \$130 million by year-end, the Region can expect potential additional funding of \$47 to \$77 million in addition to the \$52.7 million announced allocation.

Further information was included in the [Update on Public Health Emergency Response to COVID-19 Global Pandemic](#) as provided to Committee of the Whole as part of the September 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 help the Region address COVID-19 financial impacts. Funding commitments to date indicate the Region should receive \$170.6 million in operating-related funding in 2021, including \$52.7 million in funding received to date for extraordinary costs related to the Public Health response. Based on initial projections of extraordinary costs of the Public Health response, the Region could receive additional operating funding of up to \$77 million from the Ministry of Health, for a total of \$100-\$130 million, pending Provincial confirmation following a review of actual costs incurred by year-end. The Region also expects to receive \$53.4 million in funding for capital projects in support of the COVID-19 response and recovery.

On August 27, 2021, the Region received a letter from the Ministry of Health and Long-Term Care indicating that expected funding for infection prevention and outbreak containment in long-term care homes would total approximately \$4.6 million in 2021, up from \$3.1 million estimated in the June 21 memorandum. The Province also committed funding to reimburse the COVID-19 response in Paramedic Services until the end of June, for an additional \$1.2 million compared to figures in the prior memorandum.

The Region also received an allocation of \$12.1 million under Phase 4 of the Social Services Relief Fund. The amount will be confirmed through the completion of the Investment and Wind-down Plan requested by the Province on September 15, 2021. The funding is intended to help mitigate risk for vulnerable residents, provide housing and rent supports, and help wind-down activities supported by the Social Services Relief Fund.

Capital funding commitments related to COVID-19 are \$53.4 million to date, including \$33.8 million through the Canada Community-Building Fund. As mentioned in the prior memorandum, the Fund commits an additional \$2.2 billion for short-term infrastructure priorities to help promote economic recovery from the pandemic. The Region received a one-time top-up that increases the allocation of funds from \$35.2 million under the previously named federal Gas Tax Fund to \$69.0 million.

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.

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, all of which have been approved.

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.



Jason Li, CPA, CA
Acting Commissioner of Finance and Regional Treasurer



Bruce Macgregor
Chief Administrative Officer

edocs# 13283077

Attachments (1)