

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

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

Date: October 25, 2021

Re: Financial Impacts of COVID-19 - September 30, 2021 Year-to-Date

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

- Between January 1 and September 30, 2021, estimated total financial impacts of COVID-19 were \$220 million, with an average weekly impact of \$5.6 million.
- Revised estimates of the Public Health response costs, including the mass immunization program, suggest costs will be \$45 to \$75 million higher than projections developed as part of the 2021 budget. This estimate is reduced by about \$15 million compared to the projection in the September 20 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. 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 \$12.5 million expected to be received later this year for Public Health costs. This amount is below the figure included in the previous Memorandum due to the reduced anticipated spending in Public Health. A further \$53.4 million is expected to be received for capital projects in support of the COVID-19 response and recovery

Preliminary 2021 financial impacts of COVID-19 totaled \$220 million by September 30, or an average of \$5.6 million per week

Table 1 includes preliminary financial impacts associated with COVID-19 as of September 30, 2021, including expenditures for pandemic response. Mitigations, including funding from senior governments, are excluded unless noted in the description. Between January 1 and September 30, 2021, estimated total financial impacts of COVID-19 were \$220 million, with an average weekly impact of \$5.6 million.

As of September 30, staff-related costs were \$69 million, up \$5.6 million compared to the September 20 memorandum. This increase is primarily driven by Public Health (\$3.7 million),

Long-Term Care and Seniors' Services (\$0.6 million), and other branches in Community and Health Services (\$0.5 million).

Approximately 84% of total staff-related impacts to date, or \$58.4 million, incurred in 2021 reflect costs in Public Health, Paramedic Services, Long-Term Care and other branches in Community and Health Services, similar to the September 20 memorandum. Overtime costs accounted for \$9.5 million, or 14% of the overall staff-related costs.

Non-payroll expenditures increased by \$2 million since the September 20 memorandum, totaling \$60 million to date in 2021. The increase relates to the ongoing Public Health response including immunization. Other non-payroll expenditure increases since August 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 September memorandum, unspent purchase orders decreased by \$6.2 million, for a total of \$35 million to date in 2021. The decrease reflects completed and fulfilled purchase orders included in the non-payroll expenditures described in the previous paragraph.

The unspent purchase order figures in Table 1 exclude approximately \$19 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 September 30, 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.	68.99	1.77
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).	59.81	1.53
Unspent Purchase Orders	Reflects planned and potential commitments to acquire goods and services since January, 2021	35.22	0.90
Sub-Total Direct Impacts		164.01	4.21

Area	Description	Cost (\$ Millions)	
		Year to Date	Weekly Impact
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination.	1.60	0.04
Transit	Impact of lower revenues from reduced ridership, lower advertising revenue and deferred 2020 & 2021 fare increase, net of reduced spending from reduced service requirements	16.63	0.39
Water and Wastewater	Reduced revenues from deferral of the April 1, 2020 and April 1, 2021 planned rate increases.	32.52	0.83
Court Services	Estimated reduction in revenues from Provincial Offences fines during Courts closure, net of staff and program-related savings.	4.58	0.12
York Regional Police	Estimated reduction in revenues at Customer Resource Center, net of reduced spending on training and other savings.	0.17	0.00
Sub-Total Indirect Impacts		55.50	1.39
Total		219.51	5.59

Note: Figures reflect gross expenditures and do not include grant revenue offsets. Attachment 1 illustrates the expected total revenues in 2021. Figures for Unspent Purchase Orders are expected to be adjusted in future memos to reflect the fulfillment of some PO's prior to year-end.

The 2021 budget reflected estimated impacts totaling approximately \$210 million. However, impacts to date suggest total impacts in 2021 are expected to range between \$265 and \$295 million. The increase is largely due to the higher-than-expected impacts in Public Health compared to the budget estimate. These figures reflect gross impacts and do not account for internal mitigations or Provincial funding offsets.

Total 2021 Public Health impacts are expected to be higher than budgeted amounts, but below the previous estimate

Estimated costs to deliver the Public Health response are expected to be between \$85 million and \$115 million. This represents a \$15 million reduction from the previous estimate of \$100 million to \$130 million, reflecting the experience to date and assumptions surrounding expected immunization costs.

Projected impacts of the immunization program make up about 39% of total costs, with the balance reflecting ongoing needs for other areas of the Public Health response. The revised estimates reflect the experience to date and projections for needs, including staffing, supplies and support costs.

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.

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 \$220 million impacts summarized in Table 1.

Table 2
Estimated Impacts of COVID-19 as at September 30, 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.	12.16	0.31
Non-payroll costs	Includes agency staffing, medical supplies, occupancy costs, technology, general and administrative expenses	16.90	0.43
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 September 2021	16.46	0.42
Total		45.52	1.17

Note: Figures are included in costs shown in Table 1. Figures for Unspent Purchase Orders are expected to be adjusted in future memos to reflect the fulfillment of some PO's prior to year-end

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 initial funding towards the Region's projected extraordinary Public Health costs in 2021. The Region will continue to provide reports to the Province as required to support the reimbursement process. The final funding amount will be based on total eligible extraordinary costs incurred by year-end.

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 \$171 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 the experience to date in 2021, the Region could receive an additional \$12.5 million this year towards the projected extraordinary costs in the Public Health. Initial estimates assumed all costs associated with the COVID-19 response were expected to be eligible for funding reimbursement. Revised estimates suggest about \$37 million in costs can be managed within the Public Health budget. As a result, additional potential revenue expectations for Public Health were revised to reflect the updated estimates for total Public Health impacts of COVID-19 in 2021, and the expected underspending in non-COVID Public Health programs. The Public Health response including immunization is not expected to result in an unfavourable tax levy impact by year-end after accounting for expected Provincial funding and internal mitigation strategies.

In addition to the operating funding commitments, the Region expects to receive \$53.4 million for capital projects in support of the COVID-19 response and recovery. This includes a \$33.8 one-time million increase in Federal gas tax funding, \$12.3 million through the Canada Infrastructure Plan and \$7.3 million through the Social Services Relief Fund.

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

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Attachments (1)