

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

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

Date: November 25, 2021

Re: Financial Impacts of COVID-19 – October 31, 2021 Year-to-Date

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

- Between January 1 and October 31, 2021, estimated total financial impacts of COVID-19 were \$233 million, with an average weekly impact of \$5.4 million.
- Projections for the remainder of the year indicate that total 2021 impacts will be approximately \$282 million. This estimate is \$72 million higher than the projection included in the 2021 budget, primarily due to higher costs for the Public Health response, including the mass immunization program.
- The next memorandum on the financial impacts of COVID-19 will be provided in January 2022 and will include an update on preliminary 2021 year-end results.
- A November 2, 2021 letter from the Ministry of Health reaffirmed the Province's commitment to provide support for extraordinary public health costs in 2021. This funding is expected to total \$65.2 million and is in addition to approximately \$37 million in impacts that are expected to be managed within the Public Health budget, which is cost-shared with the Province. The letter also indicated ongoing support would be provided through 2022.
- The November 2, 2021 letter from the Ministry of Health also confirmed support for the School-focused Nursing Initiative into 2022. Total funding for this program is expected to be \$5.0 million in 2021.
- Total projected funding from senior governments for COVID-19 related operating impacts in 2021 includes \$178 million in confirmed funding to date, which represents approximately two-thirds of the total projected impacts in 2021. 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 \$233 million by October 31, or an average of \$5.4 million per week

Table 1 includes preliminary financial impacts associated with COVID-19 as of October 31, 2021, including expenditures for pandemic response. Mitigations, including funding from senior governments, are excluded unless noted in the description. Between January 1 and October 31, 2021, estimated total financial impacts of COVID-19 were \$233 million, with an average weekly impact of \$5.4 million. The average weekly impact decreased from the amount of \$5.6 million reported in last month's memo covering the January to September period.

As of October 31, staff-related costs were \$75.3 million, up \$6.36 million compared to the prior memorandum. This increase is primarily driven by Public Health (\$3.7 million), Long-Term Care and Seniors' Services (\$0.9 million), and other branches in Community and Health Services (\$0.7 million).

Similar to the experience up to the end of September, approximately 84% of total staff-related impacts to date, or \$63 million, incurred in 2021 reflect costs in Public Health, Paramedic Services, Long-Term Care and other branches in Community and Health Services. Overtime costs accounted for \$10.2 million, or 13% of the overall staff-related costs.

Non-payroll expenditures increased by \$4.6 million in October, totaling \$64 million to date in 2021. The increase relates to the ongoing Public Health response including immunization. Other non-payroll expenditure increases since September include the continued response in Long-Term Care homes and expenditures related to dedicated funding, such as the Social Services Relief Fund.

Unspent purchase orders decreased by \$5 million compared to the previous month, for a total of \$30 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 \$18.5 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 October 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.	75.34	1.75
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).	64.43	1.50
Unspent Purchase Orders	Reflects planned and potential commitments to acquire goods and services since January, 2021	30.16	0.70
<i>Sub-Total Direct Impacts</i>		169.93	3.95
Waste management	Increased processing costs resulting from higher tonnage of residential waste collection and blue box contamination.	1.80	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	18.28	0.39
Water and Wastewater	Reduced revenues from deferral of the April 1, 2020 and April 1, 2021 planned rate increases.	36.43	0.83
Court Services	Estimated reduction in revenues from Provincial Offences fines during Courts closure, net of staff and program-related savings.	5.38	0.13
York Regional Police	Estimated reduction in revenues at Customer Resource Center, net of reduced spending on training and other savings.	1.41	0.03
<i>Sub-Total Indirect Impacts</i>		63.30	1.42
Total		233.23	5.37

Note: Figures reflect gross expenditures and do not include grant revenue offsets. Attachment 1 includes 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 be approximately \$282 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.

Public Health impacts include higher than budgeted costs for immunization

The financial impacts of COVID-19 in Public Health are expected to total \$102 million in 2021. The projected costs associated with the immunization program are expected to make up approximately half of this. As of October 31, immunization costs totaled \$47 million, as summarized in Table 2. These impacts are included in the figures in Table 1.

Table 2
Estimated Impacts of COVID-19 as at October 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.	13.30	0.31
Non-payroll costs	Includes agency staffing, medical supplies, occupancy costs, technology, general and administrative expenses	17.37	0.40
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 October 2021	16.31	0.38
Total		46.99	1.09

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.

A November 2, 2021 letter recognized the Region's expected extraordinary costs totaling \$65.2 million in 2021 based on the Region's report to the Ministry of Health reflecting the second quarter experience. The letter also affirmed ongoing support for extraordinary public health costs in 2022. This is in addition to provincial support provided as part of the cost-shared Public Health budget. Approximately \$37.4 million in impacts is expected to be managed within the cost-shared budget.

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 \$178 million in operating-related funding in 2021, including \$65.2 million in total expected funding for the extraordinary costs related to the Public Health response, and confirmed support until the end of 2021 for the Public Health School Focused Nursing Initiative.

These totals exclude \$12.1 million in confirmed funding through the Social Services Relief Fund Phase 4 and \$2.9 million in additional funding for the School Focused Nursing Initiative, which are expected to be recorded and expended beginning in 2022. The School Focused Nursing Initiative funding reflects operating funding only, while the Social Services Relief Fund Phase 4 grant is expected to be allocated to operating and capital expenditures, with respective shares to be determined later this year.

The funding from senior governments is expected to offset approximately two-thirds of total projected costs in 2021 of \$282 million. The remaining one-third, or approximately \$104 million, is being offset through the Region's mitigation efforts, including repurposing existing resources, managing reduced revenue streams within existing budgets and other cost savings and efficiencies.

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. Most of this funding is expected to be used for capital projects after 2021. This includes a \$33.8 million one-time increase in funding from the Federal gas tax (now known as the Canada Community-Building Fund) and \$12.3 million through the Investing in Canada Infrastructure Plan. An additional \$7.3 million was provided through the Social Services Relief Fund that is expected to be fully spent in 2021.

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 next memorandum on the financial impacts of COVID-19 will be provided in January 2022.



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



Bruce Macgregor
Chief Administrative Officer

edocs# 13456359

Attachments (1)