
Subject: COVID-19 Financial Impact Update

Report to: Regional Council

Report date: Thursday, October 22, 2020

Recommendations

1. That staff **BE DIRECTED** to complete the Safe Restart Agreement Phase 2 reporting template to request additional 2020 provincial funding.

Key Facts

- The purpose of this report is to provide an update on the potential financial impacts of the COVID-19 pandemic in the Niagara Region and seek Council's direction on requesting Safe Restart Phase 2 funding from the province.
- The intention of the recommendation in this report is to secure the necessary resolution of council required of the Safe Restart Phase 2 funding application that council has assessed the municipality's financial situation and specifically requests additional provincial funding on the basis that the funding provided under Phase 1 is not sufficient to address 2020 COVID-related operating pressures.
- Staff estimate the Niagara Region's COVID-related pressure to be \$37.7 million which is in excess of the \$12.2 million Safe Restart Phase 1 allocation received.
- All financial implications quantified in this report include estimates up to December 31, 2020 unless otherwise noted. Estimates in this report are fluid and changing, and as a result, the forecasts contain inherent risks and actual results may differ.
- The Niagara Region's current estimate of the 2020 total gross cost of COVID-19 pandemic is \$55.7 million. Total regional gross cost (including all Local Area Municipalities, LAMS) is estimated at \$84.4 million.
- The Region's current estimated 2020 net deficit as a result of the COVID-19 pandemic before Phase 1 Municipal Safe Re-start funding is \$5.3 million. Total regional net deficit (including LAMS) is estimated at \$14 million.
- The Region has received confirmed 2020 funding announcements of \$35.2 million in specific program areas. Additional funding announcements are expected but not confirmed.
- The 2021 projected net cost related to ongoing COVID-19 measures is estimated at \$19.7 million or 5.02% for levy programs, \$0.02 million or 0.02% for water/wastewater programs, and \$0.2 million or 0.53% for waste management. These estimates will continue to be refined as new information is received. To date,

limited 2021 funding announcements from upper levels of government have occurred and the estimates include only confirmed funding sources. Should additional funding sources be received, this would reduce the pressure identified.

Financial Considerations

Due to the COVID-19 emergency, the Region's results and forecast are continuously being updated for new information and changes in assumptions. At the time of writing this report, it still remained difficult to quantify the full financial impact as the Region is actively making decisions around its recovery plan and details of some funding announcements remain outstanding.

While the Region's COVID related pressures of \$37.7 million (Net Cost to Region reported to date) remain in excess of the Safe Restart Phase 1 funding allocation of \$12.2 million, due to strategic mitigations and redeployments put in place, the Region no longer anticipates a 2020 deficit. The Province has outlined their reporting requirements for Phase 2 funding and it includes accessing the municipality's overall financial situation and specifically demonstrating that Phase 1 funding is not sufficient to address 2020 COVID-related operating pressures. It also requires outlining mitigation measures taken by the municipality and reserve balances. It remains unclear how the Province will apply mitigation measures when allocating Phase 2 funding, but staff believe that while pressures have been mitigated in 2020, our reserves balances remain well below targets limiting our financial flexibility.

Given unknowns around additional Public Health funding, staff have prepared the following worst to best case scenarios for 2020.

Table 1: 2020 Funding Scenarios

(in millions)	Worst Case	Likely Case	Best Case
2020 Forecasted Deficit	\$ (5.3)	\$ (5.3)	\$ (5.3)
Year end transfers from rate reserves	0.2	0.2	0.2
2020 Possible Public Health Funding	-	3.5	5.9
2020 Possible Transit Funding	-	-	Unknown
Safe Restart Municipal Funding - Phase 1	12.2	12.2	12.2
Safe Restart Municipal Funding - Phase 2	-	-	Unknown
Funds available for 2021 Budget	\$7.1	\$ 10.6	\$ 13.0

Staff would recommend that any excess Municipal Safe Re-start funding at December 31, 2020 be allocated to the Taxpayer Relief Reserve, to then be utilized to offset COVID-19 related pressures in the 2021 budget in accordance with the parameters of the funding.

Analysis

In order to better understand the financial results as they relate to the COVID-19 emergency, staff continue to track costs directly related to the emergency. Total gross cost related to the emergency is \$55.7 million, with a net cost after program-specific funding of \$37.7 million as outlined in the table below. The table below also considers strategic and other mitigations (offset by additional non-COVID pressures) that the Region has been able to put in place to help manage the cost of the emergency, resulting in a total net estimated deficit of \$5.3 million. All estimates in the analysis have been made up to December 31, 2020 unless otherwise noted in Appendix 1.

Table 2: 2020 COVID-19 Financial Impact Summary

(in millions)	Levy	Water/ Wastewater	Waste Management	Total
Total Gross Cost	\$ 53.9	\$ 1.1	\$ 0.7	\$ 55.7
Less: Confirmed Funding Matched to Expenses	(18.0)	-	-	(18.0)
Net Cost to Region	35.9	1.1	0.7	37.7
Less: Strategic and Other Mitigations	(10.8)	(0.4)	(1.0)	(12.2)
Less: Redeployed resources	(20.0)	(0.2)	(0.0)	(20.2)
Net budget deficit/(surplus)	\$ 5.1	\$ 0.5	\$ (0.3)	\$ 5.3

Further detail on the corporate assumptions and cost categories can be found in Appendix 1. Also a more detailed breakdown by operating department can be found in Appendix 2.

The Region has also been coordinating with local area municipalities to consolidate the full impact to Niagara residents. While all municipalities have been reporting to their Council using different estimates, assumptions and reporting schedules, the estimated consolidated (Region and LAMs) total gross cost is \$84.4 million and net deficit of \$14 million.

Since our previous Q2 report CSD 56-2020 on September 9th information has been received and assumptions have been updated. The main driver of change in the projected net deficit is a result of:

- Additional confirmed funding announcements in long-term care (July-Sept)

- Downward actual trends in the use of additional staff and overtime which is the basis for our projection to December 31.

The Niagara Region results continues to be driven by the Region's response to the COVID-19 pandemic. For detailed variance analysis within each department, please reference the Q2 financial update at the link below. An updated comprehensive Q3 report, that will form the basis for our Safe Restart Phase 2 application, will be provided to Council in early December.

[2020 Q2 Financial Update](https://www.niagararegion.ca/business/finance/quarterly-reports/default.aspx)

(<https://www.niagararegion.ca/business/finance/quarterly-reports/default.aspx>)

2020 Funding announcements

The Region has received announcements of confirmed funding sources of \$35.2 million to support COVID-19 emergency identified below. The funding sources will be utilized as outlined by each different agreement, with an estimated \$23.1 million (\$18 million in program-specific funding and \$5.1 million in Municipal Safe Re-start funding) being recognized in the 2020 operating results.

Table 3: 2020 Confirmed Funding Announcements

(in millions)	Amount	2020 Operating	2021 Operating	To be allocated
Social Services Relief Fund - Phase 1 (Note 1)	\$ 2.4	\$ 1.5	\$ 0.9	\$ -
Reaching Home Funding (Note 1)	1.3	1.3	-	\$ -
Social Services Relief Funding - Phase 2 (Note 1 & 2)	3.0	-	-	\$ 3.0
Community Response Fund	0.1	0.1	-	\$ -
Childrens Services Fees Subsidy Funding Reallocation	0.7	0.7	-	\$ -
School Focused Nursing Initiative (Note 3)	1.5	0.4	1.1	\$ -
Transit Bus Cleaning	0.0	0.0	-	\$ -
Safe Restart - Transit Phase 1 Funding	0.6	0.6	-	\$ -
Safe Restart - Child Care Funding	4.5	4.5	-	\$ -
Long-term Care Emergency Funding	4.3	4.3	-	\$ -
Pandemic Pay (Note 4)	4.6	4.6	-	\$ -
Sub-total of program specific funding	23.0	18.0	2.0	\$ 3.0
Safe Restart - Municipal Phase 1 Funding	12.2	5.1	7.1	\$ -
Total	\$ 35.2	\$ 23.1	\$ 9.1	\$ 3.0

Note 1: Incremental funding to cover full fiscal year of April 1, 2020 to March 31, 2021

Note 2: Subject to business case proposals by Niagara to MMAH. Funding for operating or capital needs.

Note 3: Estimated based on 20 FTE notice provided. Should continue into 2021.

Note 4: Final pandemic payments from April 24 to August 13.

In addition to the confirmed funding announcements above, the Region is monitoring the following announcements. The timing and allocation to Niagara Region of these funding announcements is uncertain at this time.

- An additional \$540 million of provincial funding for continued prevention and containment of COVID-19 (for example, screening staff, additional staff, and personal protective equipment) in long-term care homes. The total funding originally announced was \$88.3 million. Monthly funding allocations have been received for April through September.
- The federal-provincial governments will provide \$4 billion to Ontario municipalities to help fund a "safe re-start" of the economy. Phase 1 funding has been confirmed. Phased 2 funding availability will be based on reporting and need.
- Additional \$236.7 million through Reaching Home program to help extend and expand the emergency response to the COVID-19 outbreak. The Niagara Region has been allocated \$1.7 million but has not yet established a workplan for spending and spending is required by March 31, 2021. Staff expect to review and incorporate into Q3 report.
- Ontario Works expects to see increased funding to support an increase in subsidy claim payments to Ontario Works clients.
- The Province has indicated that it plans to work with municipal service managers to support Children's Services operations to minimize shortfalls.
- The Province has announced that it plans to defer further reductions to the public health funding formula in 2021.
- The Province has issued a memorandum and reporting template to Public Health saying they plan to help support incremental costs, but no details have been provided on allocation yet.

2021 Budget Pressures & Long-term Considerations

On June 25, Council endorsed a budget planning strategy for 2021. This strategy includes identifying and quantifying separately all COVID-19 related budget considerations. Additionally, Council expressed interest in being informed on a more regular basis of the other base service delivery pressures so that both the COVID-19 and these base pressures could be understood collectively. To that end, as the budget process has now begun, we will provide in this report each month a brief summary of

the status of the consolidated operating budget inclusive of normal business costs as well as COVID-19 where possible.

At this time staff have only begun efforts to identify and quantify the COVID-19 operating budget pressures. The Region's recovery planning activities are currently underway and the decisions of this plan will drive many of the budget impacts. While there is still a lot of work to be done on these items, at the time of this report staff have identified 2021 net budget pressures related to COVID-19 as \$19.9 million and is summarized by program area below. It is important to note that no new funding sources (outside of the homelessness program, which has identified funding until the end of its fiscal year of March 31st 2021 and specific school-funded nurses) have been identified from other levels of government. Should additional funding sources be received, this would reduce the pressure identified.

2021 Financial Implications	Amount	Increase %
General Government & Corporate	TBD	TBD
Corporate Services	\$ 1,398,000	0.36%
Court Services	\$ 34,000	0.01%
Niagara Regional Housing	696,000	0.18%
Transportation	59,000	0.02%
Public Health & Emergency Services		
Public Health	8,395,000	2.14%
Emergency Medical Services	788,000	0.20%
Community Services		
Seniors Services	7,034,000	1.79%
Social Assistance & Employment Opportunities	50,000	0.01%
Homelessness	1,241,000	0.32%
Levy Budget Pressure	19,695,000	5.02%
Water & Wastewater Services Pressure	19,000	0.02%
Waste Management Pressure	\$ 204,000	0.53%
Total	\$ 19,918,000	

To better understand the components, a summary of items by category is provided below. The most significant pressure relates to required incremental staffing in public health and community services. The costs below assume the Region will end current redeployment between departments and acquire incremental staffing to support the needs of these departments. It is anticipated these resources would be secured on a temporary basis until long-term clarity on sustainable funding is received.

Table 5: 2021 COVID Related Budget Pressure by Category

(in millions)	Amount	Increase %
Staffing	\$ 15.3	
Personal Protective Equipment	1.1	
Cleaning & Sanitation	2.2	
Equipment	0.1	
Shelter	1.9	
Agency Support	0.2	
Vaccination Program	0.9	
Rent Subsidy	0.3	
Other	(0.0)	
Total Gross Levy Cost	21.9	
Confirmed Funding	2.0	
Net Levy Cost	\$ 19.9	5.07%

In addition to the items above, the Region and local area municipalities have been monitoring water and wastewater flow data. Reduction in water usage does not change the total water/wastewater budget; however, it can put increased pressure on the volumetric rates used by both the Region and the local area municipalities or it could result in a shortfall in revenues. The current decline in water usage is generally driven by the business/commercial sector due to mandatory COVID-19 closures, therefore the increase in rates would create a shift in the burden to the residential sector if business closures continue into 2021. The need to incorporate changes in water volumes into the 2021 budget will be assessed in alignment with the economic recovery permitted by the Provincial reopening orders.

With the announcement of Phase 1 Safe Re-start funding from the Province of Ontario, staff have prepared the following worst to best case scenarios for 2021 based on information currently available and the 2020 estimated results. While it is the Region's policy to include in the budget confirmed external sources of funding, it would seem reasonable to expect that the Province will provide additional supports in 2021 and perhaps in an adhoc fashion similar to 2020. To that end staff are looking for additional opportunities to mitigate the 2021 COVID pressure including the possible use of reserves in the areas where there is a very high probability of additional funding coming forward. This will ensure the tax levy is not increased unnecessarily for items that may be funded from upper levels of government in the future.

Table 7: 2021 Funding Scenarios

(in millions)	Worst Case	Likely Case	Best Case
2021 Pressure Identified	\$ (19.9)	\$ (19.9)	\$ (19.9)
2021 Possible Public Health Funding		8.4	9.2
2020 Funds available for 2021 Budget	7.1	10.6	13.0
2021 (pressure)/opportunity to be addressed	\$ (12.8)	\$ (0.9)	\$2.3

Alternatives Reviewed

Staff are working with both the area municipality treasurers within Niagara Region and with colleagues across the province (through the Ontario Regional and Single-Tier Treasurers group) to share ideas and strategies to respond to the financial and operational impacts of this pandemic.

Relationship to Council Strategic Priorities

Supporting the COVID-19 emergency response directly supports Councils strategic priority of a Healthy and Vibrant Community.

Other Pertinent Reports

- CSD 30-2020 COVID-19 Preliminary Overview of Financial Impacts (April 23, 2020)
- CSD 31-2020 Concessions to Local Area Municipalities regarding Taxes and Water Wastewater Billings (April 23, 2020)
- CSD 34-2020 COVID Cash Flow Update (May 21, 2020)
- CSD 35-2020 COVID-19 Financial Impact Update (May 21, 2020)
- CSD 39-2020 COVID Cash Flow Update (June 25, 2020)
- CSD 40-2020 COVID-19 Financial Impact Update (June 25, 2020)
- CSD 46-2020 COVID Cash Flow Update (July 23, 2020)
- CSD 47-2020 COVID-19 Financial Impact Update (July 23, 2020)
- CSD 50-2020 COVID Cash Flow Update (August 13, 2020)
- CSD 51-2020 COVID-19 Financial Impact Update (August 13, 2020)
- CSD 56-2020 COVID-19 Financial Impact Update (CSC September 9, 2020)
- CSD 57-2020 COVID-19 Cash Flow Update (September 17, 2020)
- CSD 63-2020 COVID-19 Cash Flow Update (October 22, 2020)

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Appendices

Appendix 1	COVID-19 2020 Financial Impact Summary
Appendix 2	COVID-19 2020 Financial Impact by Department