
For Information

REPORT TITLE: 2021 Operating Financial Triannual Performance Report – April 30, 2021

FROM: Gary Kent, Chief Financial Officer and Commissioner of Corporate Services

OBJECTIVE

To provide a status update on the 2021 Operating Financial Triannual Performance Report as at April 30, 2021.

REPORT HIGHLIGHTS

- Regional Council approved the 2021 Operating Budget of \$2.7 billion to enable the Region of Peel to continue delivering services and meet the service needs of the residents, taxpayers, and the service demands of a growing community.
- While staff innovated and brought new solutions to maintain critical services, similar to 2020, many services slowed down and paused activities either due to COVID-19 or the redeployment of staffing and resources to support the Region of Peel's COVID-19 response and mass vaccination program.
- As a result of the paused activities and redeployment, most Regionally controlled services are projecting year end surpluses. As the community and corporation recovers, staff will need to reset workplans and expectations regarding deliverables.
- A key assumption is that the Province will fully fund the Mass Vaccination Program (estimated at \$141 million) although no formal allocation has been announced yet.
- After the application of funding for eligible COVID-19 costs, including the Mass Vaccination Program, an operating surplus of \$23.5 million is projected; \$20.5 million for Tax Supported Services and \$3 million for Utility Rate Services.
- The \$23.5 million surplus represents a variance to budget of 1.4 per cent, within the budget accuracy target of plus or minus 3 per cent, as at April 30, 2021.
- As of April 30, 2021, costs for Peel-run vaccination clinics are projected to be \$114 million and costs for the two external partners, the South Asian Task Force and Trillium Health Partners/University of Toronto – Mississauga, are projected to be \$27.3 million.
- \$41.2 million in Safe Restart and Provincial COVID-19 Recovery funding is projected to be needed for 2021 leaving \$14.4 million available to fund COVID-19 related costs and pressures in the 2022 Budget.
- The Utility Rate Supported Services are forecasted to end the year with a variance of 0.6 per cent variance, within the budget accuracy target of plus or minus 3 per cent as at April 30, 2021.
- For 2022, the pace and ability of the services to return to normal levels will largely depend on community demand and how quickly services can re-start and

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how fast staff can recover from the extraordinary pace and extent of work they've done to respond to COVID-19 over the past two years.

- A companion capital performance report for the first triannual of 2021 will be provided to Regional Council to provide analytics on the capital program.

DISCUSSION

1. Background

The Budget Policy requires that staff report the status of operating and capital services at a minimum of twice annually to manage financial performance to ensure the long-term financial sustainability of Regional services. This report provides the first forecasted year-end financial position of the Operating Budget based on the information and financial results as at April 30, 2021.

a) 2021 Operating Budget

The approved 2021 Operating Budget of \$2.7 billion includes \$0.6 billion to the Region's externally financed agencies: Peel Regional Police, Ontario Provincial Police, and three Conservation Authorities. The budget provides the Region with the funding to support community needs through services under three areas of focus: Living, Thriving and Leading.

The Region's operating budget is developed based on the best information available during budget preparation. Budget assumptions are modeled and projected for drivers such as social assistance caseload, 9-1-1 call volumes, winter events and water consumption. Risks are identified and mitigated where reasonably possible, including the use of rate stabilization reserves to address volatility in weather conditions, economic cycles and one-time initiatives or to minimize the impact on the Tax and Utility ratepayers.

For estimated costs related to the COVID-19 pandemic, \$9.8 million in Safe Restart Funding was included in the 2021 budget to offset these costs as they are temporary in nature and were not expected to be long term cost drivers.

b) Impact of the COVID-19 Pandemic

The COVID-19 pandemic continues to have a significant impact on the broader economy, the finances of all municipalities and the delivery of their services. Requirements for self-isolation and physical distancing, as well as temporary closures of non-essential services have contributed to the downturn of the economy. Every municipality has also experienced extraordinary costs and pressures from COVID-19 including increased costs for personal protective equipment and staffing to respond to the pandemic although both program specific funding and broader Safe Restart funding have been provided by federal and provincial governments to help address the costs.

In addition to its contact tracing and other COVID-19 work, Peel Public Health – Infectious Disease Prevention implemented the Mass Vaccination Program which is the largest emergency program ever undertaken by Peel and the biggest unbudgeted cost driver in 2021. In January 2021, the Province directed Public Health to start the mass vaccination program as soon as possible and not to wait for a funding announcement. While the Province has stated that the extraordinary costs related to the Mass Vaccination Program

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will be funded, no formal funding allocation has been announced to date. The Region will require financial support from senior levels of government to recover the cost of this significant initiative.

Many other services (excluding Infectious Disease Prevention) provided by the Region of Peel have also been impacted by the pandemic but in different ways. Some services have not been able to be delivered (e.g. Peel Art Gallery and Museum and Archives) or have experienced a significant reduction in service levels (e.g. Early Years and Child Care) due to continued disruptions, isolation and social distancing requirements. Other services have experienced lower demand or paused activities either due to the pandemic itself such as TransHelp and Affordable Transit or due to the redeployment of staff and resources to support the COVID-19 response or the mass vaccination program such as Adult Day Services, Chronic Disease Prevention and Early Growth and Development.

The need for support for the COVID-19 response and mass vaccination program has also put tremendous pressure on staff from services across the corporation such as Legal, Human Resources, Facilities Services, Communications, Finance and IT. These services have been critical to enabling the smooth set up, logistics and operations of the mass vaccination clinics.

The impact on the Region of Peel's 2021 year-end financial results will depend, to a large extent, on the cost of Peel's Mass Vaccination Program, the duration of the pandemic and the level of funding that will ultimately be provided by both levels of government to address the extraordinary costs of the program.

Looking forward, as restrictions are lifted by the Province, the pace and ability of the services to return to normal levels will largely depend on community demand and how quickly staff can recover from the extraordinary pace and extent of work they've done to respond to COVID-19 over the past two years.

2. Operating Results

The Region's operating performance includes Tax Supported Services, both Regionally Controlled and Regionally Financed External Organizations, and Utility Rate Supported Services. With many services pausing activities, experiencing lower demand or redeploying staff and resources to support the COVID-19 response, some savings have been achieved. In fact, after the application of COVID-19 funding for eligible costs, surpluses of \$20.5 million for tax supported services and \$3.0 million for Utility Rate Supported services are forecasted. Appendix I provides a summary of the projected year-end position by service.

While staff brought innovative solutions to maintain key services, the consequence in many cases has been the disruption of many services and workplans being deferred and delayed.

For 2021, tax supported services that experienced extraordinary costs and pressures have received program-specific funding from the provincial and federal governments to partially offset some of those pressures. Broader level COVID-19 funding has been provided through the federal-provincial Safe Restart Agreements and the Provincial COVID-19-Recovery Fund to address any remaining service pressures not funded through program-specific funding.

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a) Tax Supported Services

As outlined in Table 1 below, after the application of \$41.2 million in COVID-19 funding (Safe Restart and Provincial COVID-19 Recovery) Tax Supported Services are forecasting a surplus of \$20.5 million by year-end, representing a variance of 1.7 per cent of the Tax Supported total net budget, which is within Peel’s budget accuracy target of plus or minus 3 per cent.

Regionally Controlled Services are forecasting a \$20.4 million surplus, which is largely due to the recovery of costs for staff and other resources redeployed from across the corporation to support the COVID-19 response and the mass vaccination program. These costs would otherwise have been funded from the property tax base.

Regionally Financed External Organizations are forecasting a \$0.1 million surplus due to less Municipal Property Assessment Corporation costs, primarily caused by lower than expected growth in Peel.

Table 1: Projected Variances for Tax Supported Services

| Services | Net Revised Budget | Year-End Prior to COVID-19 Funding | COVID-19 Funding Applied | Year-End Surplus/ (Deficit) | Variance to Net Budget |
|--|--------------------|------------------------------------|--------------------------|-----------------------------|------------------------|
| Regionally Controlled Services | \$649.0M | (\$19.2M) | \$39.6M | \$20.4M | 3.1% |
| Regionally Financed External Organizations | \$524.6M | (\$1.5M) | \$1.6M | \$0.1M | 0.0% |
| Total | \$1,173.6M | (\$20.7M) | \$41.2M | \$20.5M | 1.4% |

3. Regionally Controlled Tax Supported Services

The Regionally Controlled Tax Supported Services are projecting to end the year with a \$20.4 million surplus or positive 3.1 per cent variance, just outside Peel’s budget accuracy target of plus or minus 3 per cent.

The Region’s budgets are developed based on the best information available at the time. Financial variances are typically driven by changes in service demand, economy, and other external factors.

However, for 2021, the majority of the variances are either a direct or indirect result of the pandemic. As outlined in Table 2, the variances can be classified under one of three general headings:

- Mass Vaccination Program
- Other COVID-19 related impacts on services, and
- “Normal” operational variances.

The drivers of the positive budget variances for the first two COVID-19 related categories are largely due to either provincial or federal COVID-19 funding being used to fund staffing

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and other resources that otherwise would have been funded from property tax. As mentioned earlier in the report, staff and resources from across the corporation were redeployed to support the COVID-19 response or the mass vaccination program. This resulted in savings in many services and surpluses after eligible COVID-19 costs were funded.

Table 2: COVID-19-Related Impact on Regionally Controlled Tax Supported Services

| | COVID-19 Related | | | Projected Surplus/ (Deficit) |
|--|------------------------------|----------------------------|----------------------------------|------------------------------|
| | (a) Mass Vaccination Program | (b) Other COVID-19 Related | (c) Normal Operational Variances | |
| Net COVID-19 Pressures before funding | (\$141.3M) | (\$212.8M) | \$ - | (\$354.1M) |
| Federal/Provincial COVID-19 Funding | \$141.3M* | \$107.4M | \$ - | \$248.7M |
| Savings from Service Level Adjustments | \$ - | \$123.8M | \$ - | \$123.8M |
| Other variances | \$ - | \$ - | \$2.0M | \$2.0M |
| Total | \$0.0M | \$18.4M | \$2.0M | \$20.4M |

*Funding is assumed. No formal announcement has been made by the Province yet.

The following highlights the key drivers of the forecasted budget variances under each of the three main headings in Table 2 for Regionally Controlled Tax Supported Services based on the information available up to April 30, 2021. Appendix II provides a summary and additional details of the variances by service.

a. Mass Vaccination Program – Assumed to be fully funded

As part of the overall response to COVID-19, Public Health began implementation of Peel's Mass Vaccination Program (MVP) in January 2021. With a goal to vaccinate 75 per cent or 1.1 million of Peel's 1.5 million residents, the MVP became one of Peel's largest and most critical undertakings ever. While the foundation of Peel's plan uses fixed clinics for their overall effectiveness and efficiency, the plan also uses external partners, mobile clinics and other approaches to create more access opportunities.

The initial cost for the Peel-run clinics including facilities, security, staffing, communications, human resources, I/T and other resources was estimated at \$126.6 million. This assumes that the clinics remain open until December 31, 2021 to achieve the vaccination targets.

Peel is also using two external partners as part of its overall delivery plan; Trillium Health Partners/University of Toronto – Mississauga (THP/UTM) and the South Asian Task Force (SATF). The initial cost for THP/UTM is \$22.6 million and \$4.7 million for the SATF. The cost estimates also assume the clinics will remain open until December 31, 2021.

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The initial cost estimates for the Peel-run clinics, THP/UTM and SATF were submitted to the Province for funding in early April 2021. While there had been initial messaging by the Province that all costs related to mass vaccination would be funded, no formal approval or allocation had been received by the time of the writing of this report.

As of April 30, 2021, the Peel-run clinics are projected to come in at \$113.9 million or \$12.7 million under the initial cost estimate while the two external partners are projected to come in as estimated at \$27.3 million (Appendix III provides additional details and comments of the projected costs).

Council will recall from the update provided by Dr. Loh and his team on May 27, 2021 that Peel had reached the major milestone of one million doses. If Peel can achieve its target vaccination goals earlier than initially planned then the actual costs could be significantly less than estimated as clinics will be able to shut down or downsize earlier.

The 2021 projected year end position assumes that the Province will fully fund the extraordinary costs driven by the mass vaccination program. If the Province does not fund or only partially funds the costs then there would be a significant negative impact on Peel's year end operating results.

b. Other COVID-19 Related Impacts – \$18.4 million

In addition to the expenditures required for the mass vaccination program, the Region continues to experience additional costs and pressures related to the COVID-19 response. However, as a result of COVID-19 funding for these costs and pressures as well as for resources redeployed from other services to support the COVID-19 response, Tax Supported Regionally Controlled Programs are projected to have a year end surplus of \$18.4 million.

Overall, \$212.8 million is projected for COVID-19 costs and pressures partially offset by \$123.8 million in costs avoided where service levels had decreased due to COVID-19, and COVID-19 funding (program specific and broader COVID-19) of \$107.4 million from senior levels of government.

i. Costs and Pressures - \$212.8 million

The \$212.8 million in COVID-19 related costs and pressures are largely driven by Health and Human related services who have been at the forefront of the COVID-19 response. Below are highlights of services that experienced increased costs due to COVID-19:

- **Infectious Disease Prevention** - \$71.2 million
 - Bulk of costs are salaries and recruitment costs for the COVID-19 response and includes the \$4.7 million cost for the Safe Isolation Centre (fully funded by the federal government)
- **Early Years and Child Care** - \$55.5 million
 - Additional spending for providers' sustainability and stabilization
- **Housing Support** - \$54.0 million
 - Increased expenditures of \$51 million driven by COVID-19 response programs from upper levels of government (Ontario Isolation Initiative, Social Services Relief Fund, Reaching Home and Mental Health and Addiction)

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- \$2.3 million in increased subsidy to community housing providers due to lower rent-geared-to-income rental revenue resulting from Bill 204 which legislated a rent freeze in response to COVID-19 pressures
- **Long Term Care - \$9.9 million**
 - Additional staffing required and additional COVID-19 supplies and equipment
- **Paramedic Services - \$3.9 million**
 - COVID-19 related expenses such as backfill for quarantined front-line staff, hospital to hospital patient transfers, non-management overtime, additional logistics support managing supplies and decontaminating ambulances, mask fit testing and increased personal protective equipment, respirators and non-medical COVID-19 supplies

ii. **Savings from Service Level Adjustments - \$123.8 million**

While most of Peel's services have been maintained during COVID-19, a number of services have had to be closed to the public (e.g. Peel Art Gallery and Museum and Archives) and others experienced greatly reduced service levels such as Child Care and the Affordable Transit program in Community Investment. Service levels were also adjusted where staff and other resources needed to be redeployed to support Peel's COVID-19 response. These resulted in significant savings to help mitigate the COVID-19 costs and pressures. Highlights include:

- **Public Health - \$51.7 million**
 - The savings were largely due to the redeployment of staff from their regular work in Infectious Disease Prevention, Chronic Disease Prevention and Early Growth and Development to support the COVID-19 response and to staff vacancies
- **Early Years and Child Care – \$48.3 million**
 - Largely driven by program underspending of \$47.2 million due to continued service disruptions from COVID-19
- **TransHelp - \$11.5 million**
 - Surplus is driven by lower trip demand due to COVID-19 with only 36 per cent of budgeted trips expected to be delivered.
- **Community Investment – \$1.3 million**
 - The \$1.3 million savings is largely due to underspending in the **Affordable Transit Program**. The Affordable Transit Program was approved by Regional Council in 2017 and launched in 2018. In 2019, the budget was increased to \$1.6M to meet expected participation levels, with no cap. Due to the pandemic, transit was free for three months in 2020 and ridership significantly decreased; with actual spending in 2020 at \$0.79 million
 - In 2021, this trend has continued resulting in \$0.8 million underspending in the **Affordable Transit Program** in T1. Both Brampton and Mississauga Transit Authorities do not anticipate increased ridership until Q4. Options have been explored to assist other vulnerable groups with low income transit but have not proven to be viable. Significant pressure on the program is anticipated in

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2022 dependent on economic conditions or when transit ridership returns to pre-pandemic levels

iii. Federal/Provincial COVID-19 Funding - \$107.4 million

The net costs and pressures experienced by Regionally Controlled programs will be funded either through program specific funding provided by the Provincial or Federal governments or through the funding from the federal-provincial Safe Restart Agreements and Provincial COVID-19 Recovery Funding as summarized in Appendix IV.

- **Program Specific Funding - \$76.0 million**

A total of \$76.0 million in unbudgeted funding has been allocated from the federal and provincial governments to address COVID-19 related costs and pressures in specific programs mostly in Health and Human Services. This funding significantly reduces the financial pressure from these additional costs and pressures. Highlight of the funding include:

- **Housing Support**, \$51.0 million in external funding was received in COVID-19 funding which includes \$29.2 million from Ontario Isolation Initiative, \$19 million from Social Services Relief Fund, \$2.5 million from Reaching Home and \$0.3 million from Mental Health and Addictions.
- **Long Term Care**, \$11.1 million related to additional one-time funding announced until June 2021.
- **Early Years and Child Care**, \$ 6.7 million in provincial funding to support increased operating cost for the period January to March 2021.
- **Infectious Disease Prevention**, \$4.7 million of Federal funding was received and has been applied to the safe isolation centre.

- **Safe Restart Funding - \$31.4 million**

In 2020, Peel received a total of \$47.9 million in funding through the federal-provincial Safe Restart Agreement program. Peel's allocation funded the eligible 2020 COVID-19 related costs and pressures for Tax and Utility Rate supported services. \$14.2 million was allocated to Regionally Controlled tax supported services where service deficits were driven by COVID-19 related costs and pressures. Funding could only be allocated to bring an individual service to a net zero position and not create a surplus. The unused portion in the amount of \$30.1 million will be used to help fund COVID-19 related costs and pressures in the 2021 Budget.

Through the 2021 Budget, \$8.2 million of Safe Restart funding was budgeted to be needed for Regionally Controlled services and \$1.6 million for the external agencies to address COVID-19 pressures. However, the duration and severity of the pandemic was far greater than estimated. As a result, an additional \$31.4 million in additional Safe Restart funding is estimated to be needed to offset COVID-19 related costs and pressures. This will bring the total Safe Restart funding required for Regionally Controlled services to \$41.2 million.

It is projected that the Region will have \$14.4 million available to alleviate

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COVID-19 costs and pressures for the 2022 Budget. Appendix IV provides the projected allocation of COVID-19 funding by service for funding Tax Supported Services.

c. Normal Operational Variances - \$2.0 million

Excluding the impacts related to COVID-19, Tax Supported Regionally Controlled programs had a positive operational variance of \$2.0 million related to “normal” service demand and activity. Below are key highlights of operational variances:

- In **Long Term Care**, a \$1 million surplus driven by underspending in staff costs (primarily from not implementing the Butterfly units in the Tall Pines and Davis Centres)
- In **Paramedics**, a surplus of \$1 million is largely driven by operational savings including \$0.5 million in medical supplies resulting from an inventory injection of 2020 safety stock into the system and significantly lower supplies transferred to lower-tier Fire services and \$0.3 million in lower facilities expenses related to ground maintenance and janitorial contracts. Additionally, the Community Paramedicine at Long Term Care Program will receive funding of up to \$3 million resulting in a net zero cost to the Region for that program.
- In **Roads and Transportation**, a \$0.8 million surplus in winter maintenance due to fewer than budgeted winter events.
- In **Corporate Services**, operational savings of \$0.5 million and higher Legal Recoveries of \$1.1 million, partially offset by a higher insurance premium and claim costs of \$1.0 million.
- In **Non-Program**, a deficit of \$3.4 million is projected for self-insured benefits. Key drivers of the deficit include an increase in the Workplace Safety and Insurance Board (WSIB) and Post Retiree liability and an increase in WSIB claim costs of \$0.7 million mainly in Paramedic Services. This is partially offset by lower than anticipated Short Term Disability claims costs of \$0.7 million, investment income of \$0.8 million and a retroactive life insurance rebate totaling \$0.3 million.

4. Utility Rate Supported Services

As outlined in Table 3 below, Utility Rate Supported Services are forecasting a year-end surplus of \$3.0 million, or 0.6 per cent of the Utility Rate net budget of \$468.8 million, which is within Peel’s budget accuracy target of plus or minus 3 per cent.

Table 3: Projected Variances for Utility Rate Supported Services

| Services | Net Budget | Year end Projection | Surplus/ (Deficit) | % Variance to Net Budget |
|---|------------|---------------------|--------------------|--------------------------|
| Water/Wastewater Net Expenditures before Billings | \$468.8M | \$465.8M | \$3.0M | 0.6% |
| Peel Direct Billings | \$427.3M | \$427.3M | \$0.0M | 0.0% |
| Other Recoveries / Surcharges | \$41.5M | \$41.5M | \$0.0M | 0.0% |
| Total | 0 | \$3.0M | \$3.0M | 0.6% |

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The forecasted year-end surplus of \$3.0 million for utility rate supported services is driven by the net financial impact of the following COVID-19 and Non-COVID-19 related drivers (i.e. Operational Variances) as outlined in Appendix III.

a. COVID-19 Related Drivers - \$2.2 million

- \$2.2 million in savings resulting in a lower spending on meter installation and public education events directly resulted from COVID-19.

b. Operational Variances - \$0.8 million

- \$1.6 million in savings due to underspending in staffing costs from vacancies remaining unfilled due to a freeze in hiring.
- (\$0.6 million) in increased costs due to dosage increase in chemicals for the treatment process.
- (\$0.3 million) in increased costs due to a higher electricity rate compared to the budget resulting from global adjustments.

5. 2022 Outlook

The financial outlook for 2022 will greatly depend on the duration of the pandemic and the costs needed to support the community and the economy. Peel's Mass Vaccination Program has made significant progress by providing the first dose to 75 per cent of Peel's population over 18 years of age. For the purposes of the 2022 Budget, staff anticipate that services will start to return to normal. However, the pace at which the services return to normal will greatly depend on how easily services can get back up to full function as significant portions of staff and resources have been redeployed over the past year and a half to supporting either the COVID-19 response or the mass vaccination program.

Financially, COVID-19 is not expected to materially impact Peel's operations but it is extremely difficult to predict. It is not known, at this point in time, if the mandate for Public Health will be changed by the Province to include annual vaccinations for COVID-19 (similar to the flu shot). Any such change in scope is expected to be partially or fully funded by the Province. If there any other impacts from COVID-19, Peel is projecting to have \$14.4 million in COVID-19 funding available to help offset these impacts.

A significant impact that is expected for 2022 from COVID-19 is a decrease in the revenues from payments-in-lieu-of-taxes from the Greater Toronto Airport Authority. Passenger volume in 2020 was only about 30 per cent of the pre-COVID-19 volume. This lower passenger volume is projected to result in lower PILTs revenue of up to \$8.8 million in 2022. Council advocacy to senior levels of government will be critical to ensure this issue is addressed and that there is funding support for the Region's ongoing COVID-19 response.

6. 2021 Capital Performance

A companion report titled, "2021 Capital Financial Triannual Performance" will be provided to Regional Council on July 8, 2021. The goal is to provide additional information and analyses of the Region's capital program to support Regional Council in making better informed decisions on the capital program.

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CONCLUSION

The Region will continue to monitor the impact of the Mass Vaccination Program, other COVID-19 related impacts on services and funding opportunities from senior levels of government whilst actively look for opportunities to reduce spending with minimal risk to service levels. These actions, together with maximizing the use of the external funding received, will be taken into consideration in developing the 2022 Budget.

The Region will manage its financial resources for service delivery through balancing the three pillars of Financial Sustainability, Financial Vulnerability and Financial Flexibility in accordance with the Long-Term Financial Planning Strategy.

APPENDICES

- Appendix I - Projected Operating Year-End Position - Tax and Utility Services
- Appendix II - Drivers of Projected Year-End Variance to 2021 Budget
- Appendix III - Public Health Mass Vaccination Program Financial Report
- Appendix IV - Projected Allocation of COVID-19 Funding by Service

For further information regarding this report, please contact Norman Lum extension 3567 or via email: norman.lum@peelregion.ca

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