
REPORT TITLE: 2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

FROM: Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the report from the Chief Financial Officer and Commissioner of Corporate Services, listed on the May 12, 2022 Regional Council agenda titled “2021 Operating Financial Triannual Performance Report – Year End (Unaudited)”, be endorsed;

And further, that an allocation of \$34,781,003 of the 2021 surplus from tax supported Region Controlled services to the Tax Supported Capital Reserve, be approved;

And further, that to enable the post-COVID transition and recovery of support staff, an allocation of \$1,000,000 of the 2021 surplus from tax supported Region Controlled services to the COVID-19 Recovery Reserve, be approved;

And further, that the surplus of \$88,266 from Municipal Property Assessment Corporation be allocated to the Assessment Services Stabilization reserve;

And further, that the contribution of the 2021 surplus of \$4,499,809 from utility rate supported services to the Utility Rate Supported Capital Reserve, be approved.

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 the COVID-19 response and Mass Vaccination Program required significant expenditures in 2021, the Federal and Provincial governments have provided much needed and much appreciated relief through COVID-19 related funding.
- The redeployment of significant staff and other resources from Regional Tax Supported Services to the Region’s provincially funded COVID-19 response including the Mass Vaccination Program, created a surplus as many services could not be fully delivered including large back logs of work for programs such as Public Health and for Term and Council Priorities and other corporate initiatives.
- Overall, after the application of eligible costs for COVID-19 Funding, the Region has an overall surplus of \$40.4 million or variance of 2.5 per cent, which is within the budget accuracy target range of plus or minus three per cent.
 - Tax Supported Services, after utilizing \$28.7 million in COVID-19 Funding, ended the year with a surplus of \$35.9 million (\$35.8 million for Regionally Controlled Tax Services and \$0.1 million for Regionally Financed External Organizations)

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

which represents a variance to budget of 3.1 per cent, which is just outside the budget accuracy target range of plus or minus three per cent.

- Staff recommend that \$34.8 million of the \$35.8 million surplus from Tax Supported Region Controlled services be allocated to the Tax Supported Capital Reserve to help address the estimated \$2 billion reserve shortfall over the next 20 years and other pressures including the elevated Construction Cost Index, supply chain issues and global impacts from the war in Ukraine.
 - Staff also recommend the remaining \$1 million in tax supported surplus be allocated to a COVID-19 Recovery reserve to enable the post-COVID transition and recovery of support staff.
 - Utility Rate Supported Services ended the year with a surplus of \$4.5 million after the application of \$2.7 million in COVID-19 Funding, which represents a variance to budget of one per cent.
 - Staff recommend that the surplus of \$4.5 million from Utility Rate Supported services be allocated to the Utility Rate Capital Reserve to help address the estimated \$1.6 billion capital reserve shortfall for utility rate supported services over the next 20 years.
 - Unused funding of \$24.2 million from the Provincial COVID-19 Recovery funding will be available to mitigate COVID-19 related costs and pressures in the 2022 Budget.
 - A companion capital performance report for 2021 has been provided to Regional Council to provide analytics on the capital program.
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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 third and final update on the financial results of the 2021 Operating Budget as of December 31, 2021, and highlights the impacts of the COVID-19 pandemic on overall operations and external funding that was provided to mitigate the costs and pressures from COVID-19.

a) 2021 Operating Budget

On February 11, 2021, Regional Council approved the 2021 Operating Budget of \$2.7 billion which includes \$0.6 billion for the Region's externally financed agencies: Peel Regional Police, Ontario Provincial Police, and three Conservation Authorities. The approved budget provided the Region with 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 the 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 and/or are used to minimize the impact on the Tax and Utility ratepayers.

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

For costs and pressures related to the COVID-19 pandemic, \$12.2 million in COVID-19 Funding was included in the 2021 budget to mitigate these costs as they were considered temporary in nature and not long-term cost drivers.

b) Impact of COVID-19 Pandemic

Peel was not operating as 'normal' for its second consecutive year. The COVID-19 pandemic continued to have a significant impact on the broader economy, adding the pressure of unbudgeted COVID-19 costs and disrupting the typical delivery of regional services and priorities.

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. This program required the redeployment of a significant number of staff and other resources from the Infectious Disease Prevention service as well as staff from other services across the Region.

Many other services (excluding Infectious Disease Prevention) provided by the Region of Peel have also been impacted by the pandemic in different ways. Some services were not able to be fully delivered (e.g. temporary closure of Peel Art Gallery and Museum and Archives) or 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 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 the Mass Vaccination Program also put tremendous pressure on staff from services across the corporation such as Legal, Human Resources, Facilities Services, Communications, Finance and Information Technology. These services have been critical to enabling the smooth set up, logistics and operations of the mass vaccination clinics.

Overall, the redeployment of significant staff and other resources from Regional Tax Supported Services to the Region's provincially funded COVID-19 response including the Mass Vaccination Program, created a surplus as many services could not be fully delivered.

2. Operating Performance

The Region's operating performance includes Tax Supported Services, both Regionally Controlled, Regionally Financed External Organizations, and Utility Rate Supported Services. For 2021, Tax Supported Services that experienced extraordinary costs and pressures driven by the pandemic have received program specific funding from both the Provincial and Federal governments to largely offset those pressures. Broader level COVID-19 funding has also been provided through the Federal – Provincial Safe Restart Funding Agreement and the Provincial COVID-19 Recovery Funding Agreement to address any remaining service pressures not funded through program specific funding.

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

As mentioned earlier in the report, many services experienced significant disruptions in 2021 as they were required to pause activities or redeploy staff and resources to support the COVID-19 response. As a result, a surplus has been generated as these resources, budgeted to be funded from property tax, were funded by the Province.

On October 28, 2021, Council approved the transfer of \$29.6 million of the forecasted tax supported operational surplus to a COVID-19 Recovery reserve to enable services to catch up on back logged work and advance on work that could not be done during the pandemic. After the application of this approved transfer and the broader level funding received for eligible COVID-19 costs, the overall year end result was a surplus position of \$40.4 million or a variance to budget of 2.5 per cent, which is within Peel's budget accuracy target of plus or minus three per cent.

The surplus of \$40.4 million is a combined result of a positive budget variance of \$35.9 million for Tax Supported Services and a positive budget variance of \$4.5 million for Utility Rate Supported Services as outlined in Table 1 below.

Appendices I and II provide details on the year end budgeted service targets and operating financial position by service results.

Table 1: 2021 Operating Year End Position

	Net Revised Budget	Year-End Surplus/ (Deficit) Prior to COVID-19 Funding	COVID-19 Funding Applied ¹	Year End Surplus/ (Deficit)	Variance to Net Budget
	(Millions)				
Regionally Controlled Tax Supported Services	\$649.0	\$12.7	\$23.1	\$35.8	5.5%
Regionally Financed External Organizations	\$524.6	(\$5.5)	\$5.6	\$0.1	0.0%
(a) Total Tax Supported Services	\$1,173.6	\$7.2	\$28.7	\$35.9	3.1%
(b) Utility Rate Supported Services	\$468.9	\$1.8	\$ 2.7	\$4.5	1.0%
Total	\$1,642.5	\$9.0	\$31.4	\$40.4	2.5%

¹ Broader level COVID-19 funding has been provided through the Federal – Provincial Safe Restart Funding Agreement and the Provincial COVID-19 Recovery Funding Agreement

a) Total Tax Supported Services

As outlined in Table 1 above, after the application of \$28.7 million in the broader level COVID-19 funding (i.e. Safe Restart and Provincial COVID-19 Recovery), and the Council approved contribution to a COVID-19 Recovery reserve of \$29.6 million, Tax Supported Services ended the year with a surplus of \$35.9 million, representing a variance of 3.1 per cent of the Tax Supported total net budget, which is just outside Peel's budget accuracy target of plus or minus three per cent.

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

The surplus was driven by operating variances, both COVID-19 related and “normal” operating variances, in various services. The focus of the report is on highlights of variances for Regionally Controlled programs and services. Additional details and analysis are provided in Appendix III.

Regionally Financed External Organizations are reporting a \$0.1 million surplus due to lower Municipal Property Assessment Corporation costs, primarily caused by lower-than-expected growth in Peel during 2021.

b) Utility Rate Supported Services

Utility Rate Supported Services are further explained in Item 4, Table 3 below.

3. Regionally Controlled Tax Supported Services

The Regionally Controlled Tax Supported Services ended the year with an overall surplus of \$35.8 million or a variance of 5.5 per cent, which is outside the accuracy target of plus or minus three per cent on a net budget of \$649.0 million.

The majority of the variances for 2021 are either direct or indirect results of the pandemic. As outlined in Table 2 below, the variances are classified under three general headings: Mass Vaccination Program, Other COVID-19 Related Variances, and Normal Operational Variances. Further details are provided in Appendix III.

The Province has fully funded the Mass Vaccination Program costs, and as a result, there is no net variance for this program. The driver of the positive budget variance for the Other COVID-19 Related category is largely due to COVID-19 funding being used to fund redeployed staff and other resources that otherwise would have been funded from property tax. This resulted in many services having more positive results after eligible COVID-19 costs were funded.

Table 2: Related Impact on Regionally Controlled Tax Supported Services

	COVID-19 Related			Year-End Surplus/ (Deficit)
	(a) Mass Vaccination Program	(b) Other COVID-19 Related Variances	(c) Normal Operational Variances	
	(Millions)			
Net COVID-19 Pressures before funding	(\$96.8)	(\$226.7)	-	(\$323.5)
Savings from Service Level Reductions	-	\$124.2	-	\$124.2
Federal/Provincial COVID-19 Funding	\$96.8	\$126.9	-	\$223.7
Other variances	-	-	\$11.4	\$11.4
Total	\$ -	\$24.4	\$11.4	\$35.8

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

The following highlights the key drivers of the reported budget variances under each of the three main headings in Table 2 for Regionally Controlled Tax Supported Services as at December 31, 2021. Appendix III provides a summary with additional details of the variances by service.

a) Mass Vaccination Program – \$96.8 million fully funded by the Province

As part of the overall response to COVID-19, Public Health began implementing Peel's Mass Vaccination Program (MVP) in January 2021. With an initial 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.

The initial cost for the Peel-run clinics including facilities, security, staffing, communications, human resources, information technology and other resources was estimated at \$126.6 million.

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 estimates for THP/UTM were \$22.6 million and \$4.7 million for the SATF.

The initial cost estimates for the Peel-run clinics, THP/UTM and SATF were submitted to the Province for funding in early April 2021. In July 2021, the Region received confirmation of \$73.6 million in funding from the Ministry of Health for extraordinary costs related to the Mass Vaccination Program. Subsequently, the Province has fully funded the Mass Vaccination Program totaling \$96.8 million in extraordinary costs.

For the period ending December 31, 2021, expenditures incurred for Peel-run clinics totaled \$85.4 million or \$41.2 million under the initial cost estimate of \$126.6 million. The two external partners incurred costs of \$11.4 million which was \$15.9 million under the initial cost estimate of \$27.3 million. The total forecasted MVP costs of \$153.9 million were lowered by \$57.1 million as clinics have been able to shut down or downsize significantly earlier than previously anticipated, and the Region was able to transition to a more targeted approach. Appendix IV provides additional details and comments on the reported costs.

b) Other COVID-19 Related Impacts - \$24.4 million

In addition to the expenditures incurred for the Mass Vaccination Program, the Region continued to experience additional costs and pressures related to the COVID-19 response. However, having received COVID-19 funding for these costs and pressures, as well as resources redeployed from other services to support the COVID-19 response, Tax Supported Regionally Controlled Programs ended the year with a positive variance of \$24.4 million for COVID-19 related activity.

Overall, the actual COVID-19 costs and pressures of \$226.7 million were offset by \$124.2 million in costs avoided where service levels had decreased due to COVID-19, and COVID-19 funding (program specific and broader COVID-19) of \$126.9 million was received from senior levels of government.

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

i) Service Level Reductions - \$124.2 million

While many of Peel's services were maintained during COVID-19, a number of services 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 delivered through the Community Investment service. 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 surpluses that helped to mitigate COVID-19 costs and pressures.

Highlights include:

- **Early Years and Child Care – \$76 million**
 - Program underspending of \$76 million due to continued service disruptions from COVID-19 is offset by additional spending for providers' sustainability and stabilization.
- **Public Health - \$50.8 million**
(Chronic Disease Prevention \$19.7 million, Early Growth and Development \$13.7 million and Infectious Disease Prevention \$17.4 million)
 - The savings were largely due to the redeployment of staff from their regular work in the three Public Health service areas to support the COVID-19 response.
- **Income Support – \$5.3 million**
 - The savings were largely due to lower costs from the Life Stabilization program which was affected by lockdowns and limited community agency capacity in response to COVID-19.
- **Community Investment – \$2 million**
 - The \$2 million savings was primarily due to underspending in the **Affordable Transit Program** as COVID-19 continued to have an impact on this program. Ridership significantly decreased by 33 per cent resulting in underspending of \$1.1 million.
- **Contribution To COVID-19 Recovery Reserve – (\$29.6 million)**
 - As per the Region of Peel Council October 28, 2021, meeting (Resolution 2021-1067), Council approved to commit \$29.6 million of projected surpluses from the three Public Health services (\$22.6 million) and Early Years and Child Care (\$7 million) to enable services to catch up on back logged work and advance on work that could not be done during the pandemic.

In addition to the specific service impacts highlighted above, redeployment of Regional staff and resources to support the mass vaccination and COVID-19 response resulted in the largest disruption of services in the Region's history creating large back logs of work for program such as Public Health and on Term and Council Priorities and other corporate initiatives.

ii) Costs and Pressures - \$226.7 million

(Increased Costs \$217.7 million and Decreased Revenue \$9 million)

The \$226.7 million in COVID-19 related costs and pressures was largely driven by Health and Human related services who have been at the forefront of the COVID-19

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

response. Below are highlights of services that experienced increased costs and/or decreased revenue due to COVID-19:

- **Early Years and Child Care - \$71.8 million**
 - Additional spending for providers' sustainability
- **Infectious Disease Prevention - \$55.7 million**
 - Bulk of costs are salaries and recruitment costs for the COVID-19 response and includes the \$3.5 million projected cost for the Safe Isolation Centre (fully funded by the Federal government)
- **Housing Support - \$49.8 million**
 - Increased expenditures of \$48.7 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)
 - \$1.1 million in medical services necessary to operate the isolation sites
- **Long Term Care - \$15.6 million**
 - Additional staffing related COVID-19 costs including Provincially funded temporary wage enhancements

iii) COVID-19 Funding - \$126.9 million

(Program Specific funding \$210.2 million net of \$96.8 million of fully funded Mass Vaccination Costs and COVID-19 Funding Variance of \$13.5 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 Agreement and the Provincial COVID-19 Recovery Funding Agreement as summarized in Appendix V.

- **Program Specific Funding - \$113.4 million**
(Program Specific funding \$210.2 million net of \$96.8 million of fully funded Mass Vaccination Costs)

A total of \$113.4 million in unbudgeted funding has been allocated from senior levels of government 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**, \$48.7 million in external funding was received in COVID-19 funding which includes \$14.9 million from the Ontario Isolation Initiative, \$31 million from the Social Services Relief Fund, \$2.5 million from Reaching Home and \$0.3 million from Mental Health and Addictions.
- **Infectious Disease Prevention**, \$34.8 million (\$131.6 million of Federal/Provincial funding net of \$96.8 million for Mass Vaccination Costs) was utilized in 2021. Of the \$34.8 million, \$31.3 million of Provincial funding has been received for extraordinary costs related to the COVID-19 response, and \$3.5 million of Federal funding was received and applied to the Safe Isolation Centre (which started in December 2020).

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

- **Long Term Care**, \$15.2 million related to additional one-time funding for wage enhancements, and additional goods and services for COVID-19 supplies and equipment.
 - **Early Years and Child Care**, \$7.7 million of Provincial funding was to sustain child care providers.
- **COVID-19 Funding – Variance of \$13.5 million**

Through the 2021 Budget, \$9.6 million of COVID-19 funding was budgeted to be needed for Regionally Controlled services. Due to the severity and duration of the pandemic being far greater than estimated, an additional \$13.5 million was required which resulted in utilizing \$23.1 million of the available COVID-19 funding for Regionally Controlled Tax Supported services.

In addition to outlining the COVID-19 funding allocated to Regionally Controlled Tax Supported Services for 2021, Table 3 also summarizes the COVID-19 funding allocated to Regionally Financed External Organizations.

Table 3: Available COVID-19 Funding for 2021

	Revised Budget	Incremental Amount Required	Available COVID-19 Funding
	(Millions)		
Regionally Controlled Tax Supported Services	\$9.6	\$13.5	\$23.1
Regionally Financed External Organizations	\$1.6	\$4.0	\$5.6
Total Region Tax Supported	\$11.2	\$17.5	\$28.7

After allocating a total of \$28.7 million to Tax Supported Services, the Region has \$24.2 million in remaining COVID-19 funds to address pandemic related costs and pressures in 2022. Of the \$24.2 million remaining, \$7.1 million was budgeted in 2022 to offset lower than expected Greater Toronto Airport Authority Payments In Lieu of Taxes due to lower passenger volume.

Appendix VI provides the 2021 allocation of COVID-19 funding (i.e. program specific funding and broader level COVID-19 funding) by service.

c) Normal Operational Variances – \$11.4 million

A surplus of \$11.4 million is reported for the Tax Supported Regionally Controlled programs related to “normal” or non-pandemic related service demand and activity.

The main drivers of the surplus are as follows:

- \$11.5 million in Trans Help was driven by a lower trip demand due to COVID-19 with 38 per cent of budgeted trips delivered,

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

- \$5.5 million in Long Term Care was mainly due to the delayed implementation of the Butterfly units in the Tall Pines and Davis Centre,
- \$5.2 million in Waste Management was mainly due to recovering higher payments from producers, receiving higher revenue and also from the mitigation costs not incurred for the cancelled Anaerobic Digestion Facility (approved by Council on July 8, Resolution 2021-902),
- \$3.7 million in Paramedic Services was mainly due to recruitment challenges resulting in staff vacancies, lower than planned expenditures for medical supplies and discretionary spending,
- \$3.6 million in Income Support was mainly due to vacancies that were not filled due to decrease in caseload,
- \$1.8 million in Roads and Transportation was mainly due to a surplus in seasonal maintenance programs.

The above operational surpluses were partially offset by a deficit in Non-Program items of \$22.5 million including higher than anticipated tax write-offs resulting from the settlement of multi-year appeals by the Assessment Review Board in the City of Mississauga, and a deficit in self-insured benefits driven by an increase in the Workplace Safety and Insurance Board and Post Retiree liability.

Further details by service are referenced in Appendix III.

4. Utility Rate Supported Services

As outlined in Table 4 below, Utility Rate Supported Services are reporting a year-end surplus of \$4.5 million, or one per cent of the Utility Rate net budget of \$468.9 million, which is within Peel's budget accuracy target of plus or minus three per cent.

Table 4: Year-End Position for Utility Rate Supported Services

Services	Net Budget	Year end Position	Year-End Surplus/ (Deficit)	Variance to Net Budget
	(Millions)			
Water/Wastewater				
Net Expenditures before Billings	\$468.9	\$468.8	\$0.1	0.0%
Peel Direct Billings	\$427.3	\$432.0	\$4.7	1.1%
Other Recoveries/Surcharges	\$41.6	\$41.3	(\$0.3)	(0.8%)
Total	\$ -	\$4.5	\$4.5	1.0%

The year end surplus of \$4.5 million for utility rate supported services was driven by the net financial impact of the following COVID-19 related drivers and operational costs (as referenced in Appendices III and V):

a) Other COVID-19 Related Impacts - \$4.7 million

- A surplus of \$4.7 million was mainly due to increased residential water consumption resulting from increased stay-at home activities during COVID-19. Increased costs

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

related to the adherence of COVID-19 Public Health protocols for staff were fully offset by COVID-19 funding.

b) Normal Operational Variances – (\$0.2 million)

- A deficit of \$0.2 million was mainly driven by an unbudgeted retroactive tax assessment on the water treatment facilities partially offset by a surplus in Peel York Toronto surcharge billings resulting from excess discharges.

5. Proposed Direction

In accordance with the Budget Policy and Reserve Management Policy, the Chief Financial Officer is authorized to carry out the necessary surplus management actions to stabilize the current year's fiscal position and future tax and utility rates.

a) To allocate \$34.8 million to the Tax Supported Capital Reserve

\$34.8 million of the surplus generated by Regionally Controlled Tax Services is proposed to be allocated to the Tax Supported Capital Reserve to help address significant pressures on the reserve including the \$2 billion forecasted capital reserve shortfall over the next 20 years for tax supported infrastructure, impact of supply chain issues, elevated Construction Cost Index and global impacts from the war in Ukraine.

A report will be presented to Council in the Spring that will include proposed strategies on how these pressures will be managed going forward.

b) To allocate \$1 million to the COVID-19 Recovery Reserve

As presented to Council through the report titled, "Pandemic Response – Financial Update" presented to Council on October 28, 2021, 101 of the 389 staff that have been implementing the Mass Vaccination Program have been non-frontline facing staff such as Human Resources staff who had to hire over 1,000 temporary staff needed and the Information Technology staff to ensure there were computers and other necessary equipment. These and other teams have worked tirelessly and are exhausted. To enable the post-COVID transition and recovery of these support staff and to advance on work that could not be done during the pandemic, staff propose that \$1 million be allocated to the COVID-19 Recovery reserve.

6. Surplus Management Actions

Appendix VII of the report provides a summary of the proposed surplus management actions below.

a) Tax Supported Services

Tax Supported Services generated a total surplus of \$35.9 million. Approximately \$35.8 million was generated by Regionally Controlled Tax Services and \$0.1 million was generated by Regionally Financed External Agencies.

- **Recommendation** – That \$34.8 million of the surplus generated by Regionally Controlled Tax Services is proposed to be allocated to the Tax Supported Capital Reserve to help address the \$2 billion forecasted capital reserve shortfall over the

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

next 20 years for tax supported infrastructure and to address supply chain issues and the elevated Construction Cost Index.

- **Recommendation** - That \$1 million of the surplus generated by Regionally Controlled Tax Services is proposed to be allocated to the COVID-19 Recovery reserve to enable the post-COVID transition and recovery of staff.
- **Recommendation** – The surplus of \$88 thousand from Municipal Property Assessment Corporation is proposed to be transferred to the Assessment Services Stabilization reserve to mitigate fluctuations in costs in assessment services.

b) Utility Rate Supported Services

Utility Rate Supported Services generated a total surplus of \$4.5 million.

- **Recommendation** – The surplus of \$4.5 million generated by Utility Rate Supported Services is proposed to be transferred to the Utility Rate Supported Capital Reserve to help address the \$1.6 billion forecasted capital reserve shortfall over the next 20 years for utility rate supported infrastructure.

The above recommended surplus management actions support the Region's overall Long Term Financial Planning Strategy by mitigating risks to financial flexibility, financial vulnerability and financial sustainability of Regional services and assets. These actions stabilize the Region's overall financial condition and future tax and utility rates, as well as contribute to the sustainability of the capital program.

7. Staffing Costs

People are a key investment in delivering services to Peel's community. As 27 per cent of the gross Regional budget is related to staffing, the Region closely monitors workforce related activities. In 2021 overall, Regionally Controlled services spent 110.8 per cent of the budgeted workforce related costs. Historically, the Region's budget for staffing costs have been extremely accurate averaging 99 per cent of the budget.

The increased staffing costs relative to budget are due to additional staffing and overtime costs related to the response to COVID-19. On average, only 70 per cent of the cost of staffing is funded through property tax due to the many provincially funded programs at Peel. However, for staffing costs related to the Mass Vaccination Program and the pandemic response, there is no property tax impact as 100 per cent of the costs have been funded either through program specific funding or COVID-19 funding. The COVID-19 impact on each service is summarized in Appendix V.

8. Write-Offs

The Accounts Receivable Policy gives the Chief Financial Officer the authority to approve the write-off of Water, Wastewater and General Receivable billings deemed uncollectable and requires staff to disclose this through the triannual reporting process.

The 2021 Budget includes provision for anticipated write-offs. Write-offs are only recorded when all means of collection have been exhausted. At the end of 2021, total write-offs

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

amounted to approximately \$60.3 thousand or 0.01 per cent of total billings. Appendix VIII provides a summary of the write-offs for the 12-month period ending December 31, 2021.

9. 2022 Outlook

While the COVID-19 response and Mass Vaccination Program required significant expenditures in 2021, the Federal and Provincial governments have provided much needed and much appreciated relief through COVID-19 related funding.

Peel's financial outlook will greatly depend on the duration of the pandemic and the continued costs needed to support the community and the economy. Peel's Mass Vaccination Program has made significant progress by administering two doses to over 91 per cent of Peel's residents aged 12 and over and 85 per cent of first doses to residents aged five and over. While third doses for residents aged 12 and over and first and second doses for children aged five to 11 have commenced broadly, planning continues to secure space and develop targeted approaches to reach more residents. The Region expects that all costs incurred for the continuation of the Mass Vaccination Program in 2022 will be fully funded. Staff will continue to monitor funding opportunities in 2022 while actively looking for opportunities to reduce spending with minimal risk to service levels.

Staff anticipates that services will need time to recover and transition back to normal service delivery. The pace at which the services return to normal, however, 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 24 months to support either the COVID-19 response or the Mass Vaccination Program. As per the Region of Peel Council October 28, 2021, meeting (Resolution 2021-1067), Council approved to commit the transfer of \$29.6 million from current tax supported operational surpluses to the COVID-19 Recovery reserve to enable services to catch up on back logged work and advance on work that could not be carried out during 2021. Setting aside funds in a COVID-19 Recovery reserve mitigates financial risk in 2022 if additional COVID-19 funding is not received.

It is extremely difficult to predict the impact of COVID-19 in 2022 and beyond. It is not known at this time if the mandate for Public Health will be changed by the Province to include annual vaccinations for COVID-19 (similar to the annual flu shot). Public Health is currently working on integrating COVID into its ongoing program. Additional details will be provided to Council in June 2022.

As articulated through the 2022 Budget, \$7.1 million of the Provincial COVID-19 Recovery funding was included in the 2022 Budget to mitigate lower payment in lieu of tax revenue of \$7.1 million in 2022. Council advocacy to senior levels of government will remain critical to ensure this issue continues to be addressed and that there is funding support for the Region's ongoing COVID-19 response for future years.

10. Use of Rate Stabilization Reserves

The 2021 Budget provided a total of \$11.6 million in contingent Rate Stabilization Reserve draws to fund one-time pressures and smooth out the tax and utility rate impacts such as to mitigate temporary address program pressures where there is some degree of uncertainty.

Regional Council's decision to utilize draws from Rate Stabilization Reserves to address temporary pressures is prudent. As the Regionally Controlled services ended the year in an

2021 Operating Financial Triannual Performance Report – Year End (Unaudited)

overall surplus position, \$2.7 million (23.7 per cent of approved budget) budgeted reserve draws were not required. In 2021, a total of \$7.8 million was drawn from Rate Stabilization Reserves to address temporary pressures including draws of \$5.3 million to support Regionally Controlled services (e.g. \$3.7 million for the budgeted Workplace Safety and Insurance Board draw as per the actuarial study) and draws of \$2.5 million for External Agencies' services. As a result of prudent decisions, the Region's financial flexibility was maintained, and property taxes were not unnecessarily increased through the budget.

11. Capital Performance

A companion report titled, "2021 Capital Performance and Impact on Capital Reserves and Reserve Funds – December 31, 2021" is being provided to Regional Council on May 12, 2022. 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.

CONCLUSION

The Region will continue to monitor the impact of the Mass Vaccination Program, other COVID-19 related impacts on services and further 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, was 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 - 2021 Budgeted Service Targets
Appendix II - 2021 Operating Financial Year End Position
Appendix III - Year End Drivers of Variance
Appendix IV - Public Health Mass Vaccination Program Financial Report
Appendix V - Impact of COVID-19 by Service
Appendix VI - Allocation of COVID-19 Funding by Service
Appendix VII - 2021 Proposed Surplus Management Actions
Appendix VIII - Summary of Write-Offs

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