
For Information

REPORT TITLE: Pandemic Response – Financial Update

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

OBJECTIVE

To provide an update on and projection of the impact of the COVID-19 pandemic response on the Region of Peel's finances.

REPORT HIGHLIGHTS

- Peel Public Health has been at the forefront of the Region's overall response to the pandemic for over two years now including the implementation of the mass vaccination program (MVP) since early 2021.
- Peel has been one of the hardest hit communities by the pandemic in Ontario, with 180,000 managed COVID-19 cases and over 3.3 million vaccines delivered to residents.
- Staff had estimated, through the financial update provided to Council in October 2021, that \$38.5 million would be required to continue the COVID-19 program for 2022 with the expectation the Province would fund the costs.
- However, with the onset of the sixth wave of COVID-19, the mass vaccination program was required to run at full speed for longer than initially predicted.
- The estimated costs of the pandemic response and the MVP for 2022 have been revised to \$31 million and \$81.2 million respectively.
- To date, the Ministry of Health has confirmed through its 2022 Funding Agreement;
 - \$13.1 million for COVID-19 costs leaving \$17.9 million unfunded; and,
 - \$52.6 million for the vaccine program leaving total vaccination expenditures of \$28.6 million without confirmed funding.
- Staff believe there is a high probability that all of the eligible MVP costs will be funded by the Province; there is less certainty that all of the COVID-19 related costs will be funded.
- As presented to Council on May 12, 2022, through the "2021 Operating Financial Triannual Performance – Year End" report, there is still \$17.2 million in Safe Restart and Provincial Municipal Recovery funding left to be allocated for 2022 which could be used to fund the potential \$13.1 million shortfall for COVID-19 related costs.
- With the end of the state of emergencies for both the Province and Peel, services are beginning to plan for more "normal" service delivery in 2023 recognizing there will be a period of transition.
- Moving forward, Public Health will focus on the stabilization, transition and transformation of its program over the next two years.
- A key determinant on the outcome will be direction from the Province on future program requirements and funding related to COVID-19 and ongoing vaccination programs.
- Resources will continue to be needed to enable the recovery and transition towards normal service delivery.

Pandemic Response – Financial Update

- Advocacy for the unfunded portion of the mass vaccination costs and other incremental COVID-19 related costs needs to continue to ensure Peel remains financially healthy.
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DISCUSSION

1. Background

Peel Public Health has led the Region of Peel's overall response to the pandemic for over two years now including the implementation of the mass vaccination program since early 2021. During this time, due to demographic factors and historical inequities, Peel Region has experienced one of the highest case incidence rates in Ontario. The successful scale up of the COVID-19 response is a result of the integrative and collaborative efforts across the Health Services department, across the Region, as well as between the Region and with community partners.

During the emergency response, Peel Public Health managed over 180,000 cases, investigated over 350 institutional and workplace outbreaks, and conducted multiple workplace health inspections among other functions. In parallel, the Region of Peel's Mass Vaccination Program, together with health system partners, has administered over 3,300,000 doses of COVID-19 vaccine to Peel residents aged 5 and over, resulting in nearly 90 per cent two dose coverage protecting this age group in our community.

The impacts of the pandemic response have been significant. As of April 2022, over 1,700 active employees (655 regular employees and 1,089 temporary hires) are supporting the pandemic response from their base positions across the organization, in reassigned roles or temporary work assignments/contracts. Key continuing functions include vaccination, case and contact management, outbreak investigation, surveillance, enforcement of measures, and communication with the public and stakeholders in coordination with partners.

Significant COVID-19 related costs have been and continue to be incurred in order to implement the mass vaccination program (MVP), manage the cases, and provide the supports needed in the community.

For 2021, as presented through the May 12, 2022 report "2021 Operating Financial Triannual Performance Report – Year End (Unaudited)", total mass vaccination costs of \$96.8 million were incurred and fully funded by the Province. In addition, over \$226 million of other COVID-19 related expenditures were made with \$127 million funded with Federal/Provincial COVID-19 funding with the rest funded through savings from service level reductions. Overall, the Region ended the 2021 year with a \$35.8 million tax surplus of which \$1 million was allocated to a new COVID-19 Recovery Reserve to enable the post-COVID transition and recovery of staff. The surplus was largely driven by 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, which prevented many services from being fully delivered.

For 2022, staff had estimated, through the financial update provided to Council in October 2021, that \$38.5 million would be required to continue the COVID-19 response in 2022 depending on the severity and duration of the pandemic. It was the expectation that, similar to 2021, the Province would fund these COVID-19 driven costs. In the event the funding doesn't fully materialize, other financial strategies include proposing the use of reserves or increasing property taxes would be considered. However, since October 2021, the need for

Pandemic Response – Financial Update

the COVID-19 response and vaccination program increased due to the onset of Omicron, the sixth wave of the pandemic.

2. Findings

Similar to the challenges experienced by Public Health in predicting how the COVID-19 virus will evolve to plan its response, the financial impacts associated with the response including the mass vaccination program have also been challenging to predict.

In addition to the costs directly related to COVID-19 and the vaccination program, there will still be residual impacts from the pandemic response on service delivery and staff capacity as staff have been pushed to the limit over the last two years.

a) 2022 Impact from the Pandemic

Continuing the COVID-19 Response and the Mass Vaccination Program

As mentioned earlier, staff had estimated in October 2022 that the COVID-19 driven costs for 2022 would be up between \$19 million to \$38.5 million. However, with the onset of the sixth wave and the Omicron variant, the need to continue the pandemic response and continue the mass vaccination program at full capacity was extended beyond what was initially estimated.

Table 1: Updated Mass Vaccination and COVID-19 costs for 2022

	Current Forecasted Cost	Funding Confirmed to date	Potential Shortfall
(\$ millions)			
Mass Vaccination Program	(81.2)	52.6	(28.6)
Extraordinary COVID-19 related costs	(31.0)	13.1	(17.9)
Total	(112.2)	65.7	(46.5)

As seen in the Table 1 above, the resources required to respond to COVID-19 and deliver the vaccination program have changed significantly since October 2021 with the onset of Omicron and the need to continue the vaccination program in 2022. The latest estimates for the mass vaccination program and other (non-MVP) COVID-19 related costs are \$81.2 million and \$31 million respectively.

The Region of Peel had recently received its 2022 Funding Letter from the Ministry of Health (MOH) for the Public Health program and to date, the letter confirmed the following;

- Mass Vaccination Program - \$52.6 million or 65 per cent of the amount requested
- COVID-19 Extraordinary costs - \$13.1 million or 42 per cent of the amount requested

Pandemic Response – Financial Update

This leaves a funding shortfall of \$46.5 million. The MOH has indicated that there might be another funding announcement later on in the year for the MVP but there has been no additional information received related to extraordinary COVID-19 related costs.

Transition and Recovery

With the end of the state of emergencies for both the Province and Peel, services across the corporation are beginning to transition to pre-COVID service delivery. For Peel Public Health, some programs will be restarted in 2022 but full remobilization of non-COVID-19 public health programs and services is expected to be gradual over the next couple of years. Plans are also being developed to catch up on backlogged work including school immunizations.

To help fund this and other backlogged work, Council had approved the establishment of a \$29.6 million COVID-19 Recovery reserve on October 28, 2021, through the report of the Commissioner of Corporate Services and Chief Financial Officer titled “Pandemic Response – Financial Update”.

b) 2023 and Beyond

Although the evolution of the COVID-19 virus has been difficult to predict, staff expect the impact of the pandemic on the delivery of most Regional services to be reduced in 2023 as service levels are reset. For the planning and development of the 2023 Budget, similar to the 2022 Budget, any temporary COVID-19 driven costs will be managed through the balance sheet and not result in a net impact on the budget.

However, for Public Health, there will still be a residual impact. Public Health will need to balance the COVID-19 response requirements and ongoing vaccination needs of eligible residents while managing increasing pressures to remobilize other priority mandated programs and services. A significant transition period will be required as plans and adjustments to its programs are made for a post-COVID world including an ongoing vaccination program pending any specific direction from the Province.

RISK CONSIDERATIONS

The COVID-19 pandemic response and mass vaccination have driven significant levels of unbudgeted expenditures that the Region of Peel has had to fund upfront. Over the past two years, senior levels of government have provided funding for COVID-19 related and mass vaccination costs.

For 2022, \$65.6 million in funding has been confirmed for extraordinary COVID-19 costs and the mass vaccination program from the MOH. With costs projected to be \$112.2 million, there is a current shortfall of \$45.6 million. There is indication that another funding announcement will be made later in 2022 that may address part or all of the costs. To ensure that the Region of Peel remains financially healthy in the long term, it is critical that advocacy to the Province continues for the unfunded portion of the mass vaccination costs and other incremental COVID-19 related costs will be funded.

The estimated staffing levels to continue the response into 2022 will evolve as the duration and severity of the pandemic changes. Required resources will also greatly depend on the direction from the Province for the mass vaccination requirements. At the time of the writing of this

Pandemic Response – Financial Update

report, it was not clear yet if mass vaccination will become an ongoing program for Public Health or what levels of funding would be provided along with that program.

FINANCIAL IMPLICATIONS

Significant resources including staffing have been required to support the ongoing response to COVID-19 and the vaccination program. As highlighted in the report, the estimated 2022 costs for the COVID-19 response and mass vaccination program have increased significantly since they were estimated in October 2021.

Depending on the duration and severity of the pandemic, the cost of the needed resources is estimated to be a total of \$112.2 million; \$81.2 million for the mass vaccination program and \$31.0 million for extraordinary COVID-19 related costs (excluding MVP).

The level of funding confirmed through the Public Health 2022 Funding letter provides \$52.6 million for MVP costs and \$13.1 million for extraordinary COVID-19 related costs. This leaves potential respective funding shortfalls of \$28.6 million and \$17.9 million for the vaccination program and extraordinary costs respectively.

Staff are confident that the remaining \$28.6 million in MVP costs will be funded by the Province but there is more uncertainty around the \$17.9 million shortfall for COVID-19 related costs. As reported through the May 12, 2022 report “2021 Operating Financial Triannual Performance Report – Year End (Unaudited)”, an estimated \$17.2 million in Safe Restart and Provincial Municipal Recovery funding remain to be allocated in 2022. This funding could be used to fund part of the potential remaining shortfall leaving \$0.7 million in unfunded expenditures. Staff would assess and recommend to Council other funding options including the use of regional reserves for any remaining shortfalls.

Staff will continue to monitor the costs and new funding announcements and provide updates to Council through the 2022 triannual reports.

CONCLUSION

The Region of Peel has continued to experience significant additional costs in 2022 as it continues to support the community with its COVID-19 response and mass vaccination program. Advocacy to the Province for incremental COVID-19 related costs needs to continue to ensure Peel's long term financial health.

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