

To:	Warden Halliday and Members of Grey County Council
Committee Date:	November 22, 2018
Subject / Report No:	FR-CW-25-18
Title:	2019 Corporate Budget Overview and Background
Prepared by:	Kevin Wepler, Director of Corporate Services
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	
Status:	Recommendation adopted by the Committee as presented as per Resolution CW278-18;

Recommendation

1. That Report FR-CW-25-18 regarding the 2019 Corporate Budget Overview and Background be received; and
2. That any additional revenue generated by the 2018 assessment growth, by exceeding the average of the previous five years, be budgeted as a transfer to the Capital Infrastructure Reserve for future Transportation Services road and bridge infrastructure capital needs and that this be included in the 2019 Budget for Council's consideration as part of the 2019 Budget review.

Executive Summary

The County as an upper-tier municipality is required each year to prepare and adopt a budget including estimates of all sums required for the year.

The 2019 corporate budget overview and background is being presented in order that Council Members are aware of the overall 2019 funding requirements to meet the proposed budget as developed by staff.

Council and staff have historically planned budget timetables for early adoption as a best practice and a planning tool to provide an organized and efficient approach for the completion of the budget. The 2019 budget presentation has been deferred to January 31, 2019 due to the 2018 Municipal Elections and the new County Council being sworn in on December 4, 2018.

Background and Discussion

Budget assumptions and directions were used by Finance and other County departments to prepare the draft 2019 budget. These assumptions included such items as audit fees, insurance costs, utility and fuel costs, wages and benefits, telephone and cellular costs.

The 2019 draft budget has been prepared to maintain services that support the departments' mandates, legislative requirements, and also deliver on County Council's stated priorities and expectations for service levels.

The purpose of this report is to provide information on the proposed 2019 corporate draft budget in order that Council Members are aware of the staff assessment of the 2019 funding requirements needed to meet the proposed budgets. Budgets are still being reviewed and an updated proposed budget will be presented at the Committee of the Whole budget session on January 31st, 2019.

2019 Budget at a Glance

The 2019 budget as proposed by staff, and based on the most current information, contemplates an estimated net levy requirement of \$57,259,408, which is an estimated net tax levy increase of 2.23% or an increase of \$1,248,907 to be raised from taxation as compared to the 2018 budget plus the estimated \$551,136 in 2018 new assessment growth totaling \$56,008,501.

The 2019 proposed funding requirements as summarized by Function are detailed below:

2019 Draft Budget – Net Levy Requirement

Function	2018 Net Levy	2019 Net Levy	Increase / (Decrease)	% Change
Corporate Services	\$9,597,780	\$10,004,981	\$407,201	
Planning & Community Development	\$4,452,904	\$4,716,301	\$263,397	
Social Services	\$17,188,479	\$17,129,601	(\$58,878)	
Transportation and Public Safety	\$24,218,202	\$25,406,525	\$1,188,323	
Funding Required	\$55,457,365	\$57,257,408	\$1,800,043	3.25%
2019 Ontario Works Benefits Upload				
New Assessment Growth	\$551,136		(\$551,136)	
Additional Funding to be Raised from Taxation – Net Levy Increase	\$56,008,501	\$57,257,408	\$1,248,907	2.23%

The additional property tax revenue from new construction, often referred to as assessment growth, is being incorporated into the 2019 budget based on historical trends of the past five years (2013-2017)

and is estimated to provide \$551,136 in additional tax revenue. The 2018 assessment growth number will not be confirmed by the Municipal Property Assessment Corporation (MPAC) until December 2018.

The funding required to be raised from taxation will be impacted if assessment growth does not meet or exceeds the estimated \$551,136 in taxation. If this revenue exceeds \$551,136, it is being recommended that this additional revenue be budgeted as a transfer to the Capital Infrastructure Reserve for future Transportation Services road and bridge capital infrastructure to be utilized in future budgets to assist with future capital rehabilitation and/or replacement projects.

The 2018 budget represented the final year of the Province's upload of Ontario benefit costs and these costs are now fully uploaded or funded by the Province in 2018 and no further benefit is being provided in the 2019 budget.

Budget Impacts, Highlights and Initiatives

For the 2019 budget, the Non-Union Employee Group annual wage increase has been incorporated into the budget and this increase has been calculated utilizing the approved annual wage calculation formula. This formula utilizes the average of the following five data sources:

- Comparator Group
- Consumer Price Index
- OMERS CPI
- County Union Increase
- McDowell and Associates Municipal Survey

The 2019 budget proposes additional funding for new corporate wellness initiatives, previously discussed upgrades to Information Technology capital infrastructure, network security, disaster recovery and business continuity planning.

Gross revenues received by Provincial Offences are higher than anticipated for 2018 and the 2019 budget has been drafted reflecting this increase in revenues that is being collected.

The 2019 budget contains \$277,300 as a transfer to reserves for Health Care Initiatives Funding. This level of funding is based on Council's approved recommendation that ½ of 1% of the County levy maximum per year for contribution to capital projects of hospitals. The final \$200,000 installment for the Grey Bruce Health Services – The Hospital Campaign was paid in 2018. The County has now received delegations from the Collingwood General & Marine Hospital seeking a \$3M pledge payable over ten years, and from the Grey Bruce Health Services seeking a gift of \$400,000 over two years. These requests are greater than the \$277,300 funding level drafted in the 2019 budget. Therefore Council will need to make a decision on the level of support to provide to these organizations in order to maintain the budgeted funding level or decide to provide additional funding to the 2019 budget.

The 2019 budget represents the fifth of ten \$200,000 installments for Georgian College's Marine Emergency Duties Training Centre.

Forestry revenue received from the tenders of forest harvests in 2018 has been lower than anticipated. The 2019 Forestry budget has been adjusted to reflect this decline in forest harvest revenues. Staff has worked with Grey Sauble Conservation Authority staff and County Purchasing staff to explore different

strategies for future tenders in order to try and improve tender results. This includes releasing forest tenders earlier to allow operators to plan their harvests for 2019.

The Regional Skills Training, Trades & Innovation Centre (Sydenham School) was acquired in 2018 and this Centre has now been incorporated into the 2019 budget. The business plan for this Centre is based on the premise that the operations of the Centre will be self-sustaining. This business plan will require the estimated tenant revenues budgeted to occur in 2019.

A building condition assessment and a roof scan of the property were completed prior to the acquisition, in order to provide a clear picture of the capital requirements needed currently for this facility and into the future. These capital expenditures have been included in the 2019 budget and staff is recommending the use of reserve funds to renovate and upgrade this asset. With this work completed, the County should have an asset that operates in the future in a sustainable manner. Future capital contributions will be derived from the operating revenue generated from this facility.

Sienna Senior Living was contracted to complete operational review of the County's three long term care facilities. In response to the findings and recommendations contained in the long term care operational review, Sienna was contracted for the purposes of providing long term care support services until an agreement to approve a management contract is received from the Ministry of Health and Long Term Care.

Funding for Sienna's support services are being budgeted to be funded in 2019 with 75% of the cost from reserves and the remaining from taxation. Senior Living has been working with staff in the preparation of the County's 2019 long term care operating budgets. Any savings realized from Sienna's work on these 2019 budgets will be used to reduce the amount of reserve funding budgeted and therefore reduce future long term care budgets reliance on reserve funding.

The Transportation Services budget has requested additional funding for Construction, Resurfacing and Minor Capital. The need to increase Construction, Resurfacing and Minor Capital spending has been identified in the County's 2016 Asset Management Plan.

The County's 2016 Asset Management Plan has stated that the annual investment required for the road network, and bridges and culverts, is \$17,090,000. In 2016 annual revenue allocated to these assets for capital purposes was \$9,052,000, leaving an annual deficit of \$8,038,000. To put it another way, these assets would require a 15.2% tax change for full funding. In considering all of the information in the Plan, the Plan recommended increasing tax revenues by 1% each year for the next 15 years solely for the purpose of phasing in full funding to the tax funded asset classes covered in the Asset Management Plan. The budgeted tax revenue funding increase included in the 2019 Transportation Services budget would provide an approximate 1% increase in funding for 2019.

The Grey County Community Paramedic Program began operations in January of 2015. The initial funding was provided by the Ministry of Health and Long Term Care, Home and Community Care Branch as a part of a trial to determine if community paramedics conducting non-emergency home visits could decrease health care costs and improve the health of patients living with chronic diseases.

As this funding had not been confirmed for full base funding for the 2018 budget year, only funding for the first quarter of 2018 was budgeted. In 2018 it has been confirmed with the SWLHIN, that a full year

of base funding for this program will be provided and funding for a full 12 months of service has therefore been included in the 2019 budget.

There are a number of other items impacting the 2019 budget and these will be provided by staff when the 2019 budget is presented on January 31st, 2019, for Council's review and consideration.

Service Levels, New Initiatives and Staffing Level Changes

The 2019 budget has been developed with the costs of maintaining current programs at current service levels. The 2019 budget contains funding for resources to support the Finance department, resources to assist the corporation in land acquisitions, and supporting the County's emergency management preparedness. These and any staffing level changes and/or service level enhancements have been or will be reported to Council for their review and consideration.

Potential Risks

Staff believes these proposed budgets to be prudent and responsible. In saying this, there are some risks assumed in these budgets which could possibly impact the organization if budget assumptions are incorrect. Some of these are as follows:

- Provincial Funding Increases – Budgets for 2019 have been developed incorporating Provincial funding increases based on historical information and/or ministry memorandums. For example, Paramedic Services budget has been drafted based on the 2018 approved operating budget with a 1.50% inflationary increase to be cost shared 50:50 with the Ministry of Health. If the Provincial government does not provide inflationary increases or make changes to any funding formulas, such as Long Term Care Case Mix Index, etc. these could have an impact on 2019 budgets.
- Long Term Care staff with the assistance of Sienna Senior Living, are developing 2019 operating budgets based on recommendations for cost savings in all areas including procurement, labour and expense management. If savings cannot be obtained in 2019 this could have an impact on these 2019 budgets.
- Legal costs – Conservative estimates have been provided in Departmental budgets for 2019. The County will be entering into contract negotiations in 2019 with some bargaining units and therefore legal assistance may be required to assist with these negotiations, along with any arbitrations that are initiated. The numbers of arbitrations that may be initiated in a year are difficult to predict.
- Utility and Fuel costs – It is difficult to predict utility and fuel costs due to many factors that impact the price of these commodities. Any fluctuations in these costs could have an impact of the 2019 budgets.

Budget Schedule

Meeting	Activity	Meeting Date
Committee of the Whole	2019 Budget Overview and Background	November 22, 2018
Committee of the Whole (Budget Workshop)	2019 Budget will be presented for consideration.	January 31, 2018
Council	Budget by-law presented for adoption	February 14, 2019

This report, presented on Thursday, November 22, 2018, provides an overview of the draft 2019 budget. On January 31, 2019, a draft 2019 corporate budget will be presented for consideration. This draft budget, if recommended for approval, a budget by-law will be presented to County Council for adoption on Thursday, February 14, 2019. If changes are recommended or further review is required, additional reports and reviews will be incorporated into Council's 2019 meeting schedule.

Legal and Legislated Requirements

Section 289 of the *Municipal Act, 2001*, as amended, provides for the following in regards to annual budgets;

Yearly budgets, upper-tier

- (1) An upper-tier municipality shall in each year prepare and adopt a budget including estimates of all sums required during the year for the purposes of the upper-tier municipality including,
 - (a) amounts sufficient to pay all debts of the upper-tier municipality falling due within the year;

Financial and Resource Implications

The proposed budgets as developed by staff, and based on the most current information, will require an additional \$1,800,043 to be raised from taxation or an estimated levy increase of 3.24%. This 2019 budgetary levy increase has been estimated to be assisted with an additional \$551,136 in new 2018 assessment growth. This would then equate to a 2019 net budgetary levy increase of 2.23% to be raised from taxation.

In order to realize an overall net levy increase of less than 2.23%, further budgetary reductions and/or the use of one-time funding sources will be required.

This estimated net levy increase of 2.23%, could change if the 2018 estimated assessment growth of \$551,136 is not realized. For Council's information a 1% levy increase equals approximately \$560,085.

Relevant Consultation

- Internal CAO, Senior Management Team, Managers and Finance Staff
- External (list)

Appendices and Attachments

None