Committee Report

To:	Warden Halliday and Members of Grey County Council
Committee Date:	July 26, 2018
Subject / Report No:	FR-CW-19-18
Title:	Corporate Financial Update and Year-End Projection as of May 31, 2018.
Prepared by:	Kevin Weppler, Director of Corporate Services
Reviewed by:	Kim Wingrove
Lower Tier(s) Affected:	
Status:	Recommendation adopted by Committee of the Whole as presented as per Resolution CW192-18; Endorsed by County Council on August 9, 2018 per Resolution CC79-18.

Recommendation

1. **That Report FR-CW-19-18 regarding a Corporate Financial Update and Year-End Projection as of May 31, 2018 be received.**

Executive Summary

This report provides staff's first projection to year-end based on revenues and expenditures to May 31, 2018. The report summarizes any variances that are being projected for the various departmental operations. A high-level variance analysis and a set of County financial statements are attached.

Background and Discussion

The purpose of this report is to provide a corporate financial update for all County departments based upon financial statements as of May 31, 2018.

Each Department reviews its actual to budget figures and projects a year-end position by estimating results still to happen. These adjustments have been incorporated into each Department's projections in this report. Highlights of the financial statements and variances are as follows:

- ☐ Administration: Staffing vacancies and staffing changes are impacting the various Corporate Administration budgets and providing surplus funds. Investment income is projected to be higher by $50,000 due to some higher yields of return being realized. The cost of capital projects procured are higher than budgeted for IT infrastructure updates. Overall the Administration budget portfolio is anticipated to end the year with an estimated positive variance of $93,300.

- ☐ Council: Council budget is currently on budget and is anticipated to end the year on budget.

- ☐ Information Services: The Information Services budget is anticipated to end the year on budget. While savings have been realized on software procurement, a portion of this project was budgeted from reserves and therefore will not result in any projected surplus.

- ☐ Weekly Indemnity and Workers' Compensation: The Weekly Indemnity (Short Term Disability) and Workers' Compensation budgets are self-insured plans. The premiums charged to County Departments are shown in these budgets as a source of revenue and are used to pay all of the costs to administer these self-insured plans. The Weekly Indemnity costs are anticipated to end the year on budget. The Workers' Compensation budget is projecting a year-end deficit of $158,200. Lost time claims are of a nature that employees are not anticipated to return to work for some period of time. In addition, the County has had some prior year claims that were appealed to the Workplace Safety and Insurance Board (WSIB), and these claims have now been approved by WSIB. If year-end projections are correct and this deficit realized, the applicable reserve could be utilized to offset this shortfall.

- ☐ Assessment: The costs for the services of the Municipal Property Assessment Corporation (MPAC) will end the year with a small deficit of $18,400. MPAC invoices the upper-tier municipality on a cost-recovery formula based on the County's percentage of the total assessment and the total properties that MPAC assesses in Ontario. These costs invoiced are a higher proportion to Grey County than what staff had estimated for 2018.

- ☐ Provincial Offences: This budget is projected to end the year with a small surplus of $40,000. Gross revenues are $50,947 higher than budgeted as of the end of May with Grey County's share being $29,819. It is too early in the year to estimate whether ticket volume and revenue will continue to exceed budget; staff will monitor and update for the projection based upon September financial statements. Salary and benefit lines are lower than budgeted as a result of staffing changes but are partially offset by the continuance of contract prosecution for the remainder of the year for a net projected savings to Grey County of $40,000.

- ☐ Health Unit and Other Funding Initiatives: It is anticipated that the Health Unit budget will end the year with a surplus of $25,000. This surplus is based on the overall funding requested from the County being decreased in 2018, as compared to 2017, as a result of the reduction in funding approved by the province for the Vector Borne Disease cost-share program. The overall budgeted funding for this program was reduced by the Ministry from $272,533 in 2017 to $101,067 in 2018.

The 2018 budget provided funding for payments and and/or transfers to reserve for Health Care and Educational initiatives, such as the Grey Bruce Health Services Campaign and the Marine Emergency Duties Training Centre at Georgian College. Funding provided in the 2018 budget is anticipated to be sufficient for 2018 with payments and transfers being allocated as approved.

- ☐ Property: The operating budgets for the Administration, Provincial Offences and Morrison Buildings are projected to have an overall $36,700 surplus and the capital budget a balanced position at year-end. The estimated savings in the operating budgets are primarily from the budget lines for hydro, cleaning supplies and salaries and associated benefits for the Administration Building. These savings are offset by maintenance costs for the Morrison Building projected as $2,500 higher than budgeted. The Capital budget for the Administration Building as well as the addition and alterations project is expected to remain on budget. The value of work finished, as of June 30th, totals $10,434,451 or 96% of the contract price being completed. The current balance remaining, including holdback, to be paid to Devlan Construction for the build project is $628,396.

- ☐ Supplementary Taxation and Tax Write-Offs: No year-end position has been projected for supplementary taxation and write-offs at this time. These tax adjustments will not be known until later in the year when supplementary taxation and write-off estimates are provided to the County by local municipal staff.

- ☐ Planning: The Planning operating budget is projected to have a $120,000 surplus at year-end as a result of staff vacancies and staff changes, along with higher than anticipated application revenue. The Planning capital budget is anticipated to end the year on budget. The capital Climate Change Action Plan work is being deferred to 2019, as per the 2019-2028 Ten Year Capital Forecast, in anticipation that there could be grant funding opportunities in 2019 that currently don't exist for 2018. The Saugeen Valley Conservation Authority's (SVCA) recent decision to withdraw from providing municipalities with comments on natural heritage related matters, along with natural hazard comments for areas outside of the SVCA's regulated area or outside of the SVCA's Screening Area, will require investigation into alternative arrangements and this could result in additional expenses in the future.

- ☐ Agriculture: The Agriculture budget is currently on budget to date and is anticipated to end the year on budget. As of the end of May, beaver and coyote grant expenditures are lower than what was incurred at this time in 2017, if this rate of expenditure continues, a surplus could result.

- ☐ Forestry: The Forestry budget is projected to end the year with a budget deficit of $30,000. This deficit is as a result of lower than anticipated revenue from the tender of harvests of County forests. Staff are currently working 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. Grey Sauble Conservation Authority staff is working on updating some of the environmental information needed for the Pretty River Tract. This information is required to satisfy the Niagara Escarpment Commission's requirements. If this process is successful and if this work can be completed this year, staff could issue a tender for this harvest before year-end which could help offset the lower than anticipated 2018 tendered revenue. The St. Vincent Trail upgrades, contained in the 2018 Forest Trails budget, have been completed within the budgeted amount. The remainder of the Forest Trails budget is currently on budget.

- ☐ Trails: The Trails operating and capital budgets are anticipated to end the year on budget. With respect to the Trails capital project, Bridge 63 has been awarded and came in under budget. This project is to be funded from reserves and therefore will not result in any surplus.

- ☐ Economic Development: Based on projects and plans for the 2018 year the Economic Development budgets will end the year on budget.

  The Business Enterprise Centre is anticipated to be on budget, with all provincial funding being spent to fulfill provincial agreements.

  The Community Hub capital project is now behind schedule and it is anticipated this reserve funding will not be fully utilized in 2018.

  The Connected Community budget included $200,000 in reserve funding to support the development of any local broadband improvements that could complement any SWIFT network construction. Currently no project(s) have been identified.

- ☐ Tourism: Tourism budget is $20,000 under budget as of May 31; however much of Tourism's marketing activities and budget will be spent over the summer and fall months, reducing this year-to-date position. These activities include Grey County's new Waterfall brochure, the summer and fall #ColourItMyWay digital marketing campaign, and summer students attending events across Grey County. Some staff changes have occurred in 2018, causing vacancies and therefore lower than budgeted salary and benefit costs. As of this date, Tourism is anticipating a small year-end surplus of $8,000 for 2018.

- ☐ Grey Roots: Grey Roots is anticipating the operating and capital budgets will end the year on budget. Much of Grey Roots' revenue is seasonal and it will be a few months before staff can report on revenue targets. At this time, 8 weeks of Kids Camp is sold out, Education programming, Membership and Donations revenue are higher than at this time last year. The majority of expenses in the capital budgets are transfers to reserve. The Grey Roots' Gallery capital update work has been awarded and the remaining capital expenditures are anticipated to be completed on budget.

- ☐ Ontario Works: The Ontario Works budget is projected to have a $20,100 surplus at year end. Year to date Shelter and Client Funerals are underspent while Basic Needs and Special Assistance are over budget; however there is no net levy impact as these expenses are 100% provincially funded in 2018. Non Shareable funerals costs are estimated to end the year slightly over budget but are expected to be offset by a small surplus in Homemakers and in revenue from prior year's rate increase adjustments.

The projected surplus will occur in the Ontario Works Administration and Employment Support budgets. While equipment costs are expected to end the year over budget, there are savings in salaries and benefits due to lower costs of contract staffing. The municipal cost share for a $5,000 sponsorship of the Truth and Reconciliation Conference will be offset by savings under Community Support in the County Social Initiative budget.

☐ Child Care: Fee Subsidy costs for the first five months have increased by $215,000 over the same period in 2017. If this trend continues, up to $660,000 in fee subsidy can be funded with Expansion Plan and Early Learning and Child Care (ELCC) funding. The County is to receive $2,008,304 in Expansion funding and $525,697 in ELCC funding in 2018. This funding is intended to sustain 2017 growth in childcare spaces and to support any new spaces in 2018. In addition to staffing costs and increased fee subsidy expenses, funding requests are now being received from Child Care Operators to fund the cost of repairs and maintenance and play based materials needed to support growth from 2017 and/or to fund costs of increased child care spaces or increased accessibility in 2018.

In 2017 the County expensed $376,566 of ELCC funding. This year, the ELCC and Expansion funding is significantly higher and staff is developing a plan towards expensing the full allocation while also dealing with challenges such as a province wide shortage of Registered Early Childhood Educators (ECEs). This shortage limits the expansion of child care services, including the before and after school programs. County staff is also currently working on the recruitment of new Home Child Care providers as there has been a decrease in the number of providers this year.

Despite the opportunities to utilize the funds as described above, there are some external challenges which are further impacting the ability to plan and spend the prescribed funding allocations. They include:

1. Province-wide RECE (Registered Early Childhood Educators) shortage. When operators obtain new licensed child care spots, these new spots can remain vacant due to a shortage of available RECEs to fill the required staffing ratios.
2. College delays with processing of new ECE graduate applications and renewals.
3. The Ministry of Education communication has been limited during the transition period to the new government is concerning and staff are awaiting confirmation that previous provincial government’s funding commitment(s) are intact.

To date, expenses totalling $1,230,000 have been identified as potential needs. This includes fee subsidy, repairs and maintenance, play based materials and general operating funding for Child Care Operators and Home Child Care Providers. Staff is exploring further options to expense the remaining $1,304,001, such as assisting Child Care Operators with significant building repair and general operating needs. The use of Expansion and ELCC funding could support these operators to remain in the community and to ensure ongoing child care affordability. However, communication for approval and direction from the Ministry of Education regarding this option is currently limited due to the transition to the new provincial government. If eligible expenditures cannot be incurred in 2018, this funding is at risk of being “clawed back” by the ministry.

The Children's Services budget is projected to end the year with a $7,400 surplus due to a decrease in the required municipal contribution to child care costs. This contribution decrease has occurred because even though the County has received increased 100% provincial funding for programs such as Expansion and ELCC, the cost shared core funding allocation has decreased.

- ☐ Housing: Overall, the Housing budget is projected to have a balanced operating budget and a $27,000 shortfall from the capital budget. As of May 31, tenant related revenue totaled $11,500 more than the year-to-date budget. The greatest pressure on the operating budget is the number of move outs in 2018. There have been 52 unit turnovers (or 5.9% of total units) as of June 30 and this is typically what is expected on an annual basis. In comparison, 2017 was also a high year with 90 turnovers (10.1% of total units). An aging tenant population resulting in unit turnovers is having an impact on this budget.

  The operating budget line for building repairs totals $196,700 and as of May 31, 68% of this budget had been utilized; if trends continue, this could result in an over expenditure of $123,000 in this line item. The cost to make units ready for occupancy after long term tenants leave results in higher repair costs and often the replacement of flooring, trim etc. The combined utilities budgets are currently expected to have a $132,000 surplus from reduced hydro costs with $12,400 projected savings in the water budget offsetting higher costs for natural gas. If the savings in hydro continue, this will be used to offset the building maintenance budget. The budget for snow removal has $60,375 remaining. Based on the average of the previous three years, this should be sufficient for the remainder of the year.

  Staff assumes that the budgets for property taxes and insurance will be sufficient; actual costs will be known when the next report based on September financial statements is presented.

  The savings from the federally funded rent supplement program are expected to total $16,000 and the budget for Non Profit Housing is expected to be sufficient and may generate small savings when year-end reconciliations of the subsidy entitlements are completed. The various Housing Programs (Investment in Affordable Housing, Social Infrastructure Fund, etc.) are 100% Ministry funded and do not generate savings.

  The Housing capital budget currently has a $27,000 shortfall. Report HDR-CW-15-18 for the award of Bath Rebuilds at 225 14th Street West, Owen Sound recommended that the budget deficit of $100,291.67 be funded from surplus in the Capital budget or if surplus is not available, from the Housing Reserve. While there are many projects still to be awarded, staff assumes that the shortfall for this project will be funded from the reserve.

- ☐ Grey Gables: Grey Gables is expected to end the year with an operating budget surplus of $42,000 and a balanced capital budget. The Other Accommodation funding envelope has higher than anticipated staffing costs and snow removal costs, offset by lower than expected hydro and heating costs. In addition, an increase in the Case Mix Index along with other small funding increases has provided extra revenue of $23,000.

- ☐ Lee Manor: Lee Manor is expected to end the year with an operating budget surplus of $201,000 and a balanced capital budget. In the Nursing and Personal Care envelope, wages and associated benefits will be underspent due to difficulty filling shifts. The Other Accommodation funding envelope has higher than anticipated legal fees and staff costs. The Program Support and Services also has higher than anticipated staff costs. Included in the operating budget surplus is additional revenue for the Case Mix Index of $198,000.

- ☐ Rockwood Terrace: Rockwood Terrace is expected to end the year with an operating deficit of $27,000 and a balanced capital budget. The Other Accommodation funding envelope has lower than anticipated hydro, heating and building maintenance costs, and unfilled shifts in the Dietary, Housekeeping and Maintenance departments. In the Nursing and Personal Care envelope, wages and associated benefits will be overspent due to higher than anticipated staffing costs. Overall revenues from Ministry funding will be $32,000 less than budgeted.

- ☐ Long Term Care Redevelopment: Expenditures for consulting and legal totaling $4,579 have been incurred. These expenditures will be recommended to be funded from any surplus within the Long Term Care budget portfolio and if insufficient, from the Long Term Care Redevelopment Reserve.

- ☐ Transportation Services: The Ordinary Maintenance budget is projecting a surplus of $30,000. This surplus is due to lower than anticipated hydro costs with the conversion of roadside signage to solar power and higher than budgeted permit revenue. Staff is also projecting a small surplus in the Winter Maintenance budget based on actual costs to May and projecting winter maintenance costs for November and December 2018. Pothole patching and street sweeping at intersections are both overspent, and sign shop expenditures are greater than planned due to increased sign reflectivity failures.

  All twelve of the 2018 capital projects have been tendered, and award reports brought forward to Council. Capital project shortfalls have been recommended to be funded from any surplus realized from within the 2018 Transportation Services Budget, or if a surplus is not available, from the Federal Gas Tax Reserve. The total projected deficit for these twelve capital projects, to be funded from the Federal Gas Tax Reserve, is estimated at $989,459. The Federal Gas Tax Reserve currently has a projected 2018 year-end balance of $1,940,950. Staff does not expect any tax levy impact at this time.

- ☐ Paramedic Services: This service is projected to end the year with a $52,000 operating budget shortfall and a balanced capital budget. The 2018 Ministry funding announcement provides $37,573 less in grant revenue than budgeted; the shortfall has been offset by an unanticipated Ministry claim based program that provided reimbursement for costs incurred related to post traumatic stress disorder. The claim guidelines excluded expenditures for early intervention; Grey County's claim was $87,678 with $24,241 received. This results in a combined grant shortfall of $13,332.

  At this point, it is anticipated that salaries will be within budget and there may be savings of $70,000 in the combined benefit budget lines. Lost time hours for modified, sick etc. are within budget; the contract with unionized staff expired December 2017 and has not been settled at this time. Staff will continue to monitor throughout the remainder of the year as this is a point in time comparison. This budget is being impacted by the rising cost of fuel and call volume that has increased almost 10% over 2017. Fuel costs could exceed budget by $64,000 and meal reimbursement by $5,300. Also affecting this budget are legal and professional costs that could result in a shortfall of $35,000 and maintenance of bases with an estimated shortfall of $9,600. Eyewash stations for the bases in the 2017 budget were delayed and not carried over in the 2018 budget; if there is insufficient budget room to accommodate these costs a request to fund from reserve will be made at year-end. Savings of approximately $5,000 is expected in the budget for oxygen as a result of a change in standards with the budgets for rent and snow removal considered adequate for the year.

The capital budget includes the purchase of two ambulances, one stretcher and one duty supervisor vehicle, a small section of fence at Craigleith and the build of a base at Chatsworth. With the exception of the Chatsworth base, it is expected that the remaining capital purchases will remain on budget. Report PSR-CW-07-18 estimates a budget shortfall for the Chatsworth base of $130,023; the self-financed debenture for this project will be recalculated when the project is complete. As discussed in PSR-CW-05-18, the County of Grey will receive $63,800 in funding for computers and docking stations to be utilized in the testing of the SAVE (Situational Awareness of Vulnerable Populations During a Crisis or Evacuation) application. As new computers and docking stations were purchased in 2017 these funds will be transferred at year-end to the Paramedic Services reserve that is utilized for equipment/vehicle purchases. These unbudgeted funds will benefit the reserve and assist in funding future purchases.

Legal and Legislated Requirements

None

Financial and Resource Implications

A review of the actual as compared to budget, as at the end of May for all County departments projects a corporate year-end surplus position of $310,900. This positive variance would represent a 0.2% variance as compared to the 2018 budgeted gross expenditures of $144,827,057.

This financial projection incorporates Transportation Services use of Federal Gas Tax reserve funds to fund the total projected departmental deficit of $989,459 for the twelve tendered capital projects.

Relevant Consultation

_x_ Internal – CAO, Directors, Managers and Finance staff

Appendices and Attachments

Attachment to FR-CW-19-18 2018 Operating and Capital Budget Variance Analysis as of May 31, 2018

Attachment to FR-CW-19-18 2018 Financial Summary Statements as of May 31, 2018