



Committee Report

To:	Warden McQueen and Members of Grey County Council
Committee Date:	November 12, 2020
Subject / Report No:	FR-CW-26-20
Title:	Corporate Financial Update and Year-End Projection as of September 20, 2020.
Prepared by:	Kevin Wepler, Director of Corporate Services
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	
Status:	Recommendation adopted by Committee as presented per Resolution CW194-20; Endorsed by County Council November 26, 2020 per Resolution CC93-20;

Recommendation

1. **That Report FR-CW-26-20 regarding a Corporate Financial Update and Year-End Projection to September 30, 2020 be received; and**
2. **That any Federal and Provincial funding announced to provide financial assistance to support the County of Grey be authorized to be utilized to offset COVID-19 financial impacts.**

Executive Summary

This report is to provide a corporate financial update for all County departments based upon financial statements as of September 30, 2020. 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

Each Department reviews its actual to budget figures and projects a year-end position by estimating results still to occur. These adjustments have been incorporated into each Department's projections in this report along with some assumptions on the future impact of COVID-19. Highlights of the financial statements and variances are as follows:

- Administration: Staffing vacancies, staffing changes, reductions in staff training, conferences, travel, etc. are impacting the various Corporate Administration budgets and providing approximately \$123,400 in projected surplus funds. Investment income is projected to be lower by \$205,000 with interest rates being lower than what had been

budgeted. This reduction in income is a result of the Bank of Canada's reductions to interest rates, with interest rates being reduced by 1.50% in March.

As per policy, the net revenue budgeted from investment income that exceeds 1% of the County's own purpose levy is to be placed in a one-time funding reserve for use in funding non-recurring expenditures. Therefore, with the projected loss in investment income, the 2020 transfer to reserve could be reduced to correlate to this reduction and reduce this impact to the Administration budget portfolio. Without the reserve transfer reduction, it is anticipated the Administration budgets will end the year with an estimated negative variance of \$81,600.

- Council: The Council budget is anticipated to end the year with a surplus of approximately \$120,400 with savings in salaries and benefits, travel, meal and accommodations as a result of COVID-19 requiring virtual meetings and virtual conferences occurring.
- Information Services: The Information Services budget is anticipated to end the year with a surplus of \$41,500. Savings in computer software, computer hardware, and reduced staff training and development costs are the main contributors to this 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 the costs to administer these self-insured plans. The Weekly Indemnity costs are anticipated to end the year with a shortfall of \$69,300 and assumes that the number and length of weekly indemnity claims will remain at the current level.

The Workers' Compensation budget is projecting a year-end deficit of \$147,500. The biggest cost drivers are claims where employees have been unable to return to work for a significant period of time and the number and duration of claims. COVID-19 has also impacted employees' ability to receive treatment from physiotherapists, chiropractors, etc.

As stated previously, the number of PTSD/Traumatic Mental Stress claims and associated costs reaffirm the need for the peer support and early intervention program that Council approved for Paramedic Services.

If year-end projections are correct and these deficits are realized, the applicable reserve could be utilized to offset these shortfalls.

- Assessment: The costs for the services of the Municipal Property Assessment Corporation (MPAC) will end the year on budget.
- Provincial Offences: This budget is projected to end the year with a shortfall of \$40,000 after cost sharing with Bruce County. Ticket revenue is difficult to predict based on the decrease in tickets written during the pandemic and the uncertainty as to when tickets will be paid. Approximately 1,971 fewer tickets were issued to September 30th as

compared to the same period in 2019. The decline in revenue has been offset by a decrease in expenditures as the result of the shutdown in court proceedings.

- Health Unit and Other Funding Initiatives: It is anticipated that the Health Unit budget will end the year on budget. The Health Unit's expenditures related to COVID-19 expenditures have been projected to be \$250,000 for 2020. The Provincial Government has announced that the expenditures related to COVID-19, that these emergency expenses will be funded by the Province, if they exceed the Health Unit's 2020 total budget.
- Property: The operating budgets for the Administration and Morrison Buildings are projected to end the year with a \$20,000 operating surplus. Savings in salaries and benefits from an unfilled student position, building maintenance, and staff training and development are offset with higher than expected cleaning supplies for the Administration building resulting from COVID-19 pandemic. With exception for the debenture payment, the capital projects are funded from reserve and are expected to remain on budget.
- Taxations, Grants and Other: It is anticipated that 2020 budgeted projection for omitted/supplementary taxation and write-offs will have a balanced position at year-end. This projection is based on estimates that have been received from local municipal staff and projected year-end accruals for any assessment at risk.
- Planning: The Planning operating budget is anticipated to end the year with a surplus of approximately \$56,500. Approximately half of this expected surplus is a result of the reduction of staff wage and benefit costs due to staff being redeployed and their wages being expensed to other departments, as well as staff leaves due to the pandemic. The other half is largely due to application revenue received for the year to date being higher than expected. A small portion is also from the decrease in staff travel and printing costs as the pandemic shifted work to a virtual platform. The Planning capital budget is anticipated to end the year on budget, with the Capital Age Friendly Community Strategy and the final phase of the Climate Change Action Plan being carried forward to 2021 as a result of the pandemic, but both projects were and are still to be fully funded from reserves creating no surplus.
- Agriculture: The Agriculture budget is predicted to end the year with a small surplus of approximately \$3,200. This surplus is being anticipated due to fewer beaver grants being issued during 2020 than the historical annual average.
- Forestry: The Forestry budget is currently anticipated to have a slight surplus of \$5,100. The majority of this surplus is a result of the Forest Festival not being held in 2020 due to the pandemic, and therefore the budgeted payment of \$5,000 was not paid to this organization.
- Trails: The Trails operating budget is anticipated to end the year with a surplus of \$43,100, largely due to trail maintenance projects being delayed to 2021 due to the pandemic. The Trails capital budget is expected to end the year on budget, but with the

Culvert 5A and 15A replacement projects that were budgeted to be fully funded from reserve being carried forward to 2021 also due to the pandemic.

- Economic Development & Tourism: The Economic Development and Tourism budgets, operating and capital, are anticipated to end the year on budget. As a result of the pandemic, economic development and tourism budgets were combined to best serve stakeholders through a refocus of projects and initiatives to support economic recovery as approved by Council on June 25th.

Staff amended plans for Sydenham Campus in March when County buildings closed due to COVID-19 to reduce the deficit potential, understanding revenue projections would not be met as a result of the pandemic. Even with this, staff anticipate a \$146,000 deficit resulting from fixed costs and transfers to reserve for future capital. This deficit was been absorbed in the economic development and tourism operating budgets to ensure the department would remain on budget. The capital budget for Sydenham is anticipated to end the year on budget due to the successful receipt of a \$58,000 rural economic development grant for infrastructure improvement.

- Grey Roots: Grey Roots is anticipating that operating budgets will end the year with a \$200,000 surplus. While revenue has been down considerably due to the closure and limited reopening as a result of COVID19, there will be budget savings due to staff redeployment, the decision to forgo hiring of summer staff and the postponement of the travelling exhibit.

Grey Roots is projecting the capital budget to remain on budget. Overages from the roof replacement, floor epoxy, and building automation software will be covered by reduced spending for the Gallery Update.

- Ontario Works: The Ontario Works and Administration budgets are projected to have a \$206,200 surplus at year end. The current average monthly caseload is slighter higher than budget at 1,320 compared to the anticipated 1,316. However, with more singles than families making up the caseload composition, the cost per case is lower and is resulting in an under-expenditure in Basic Needs and Shelter. Discretionary and Mandatory benefits have also been underspent with the closure of vision centres, dental and other services but expenses are beginning to increase with the reopening of these businesses. Temporary Covid-19 related benefits for social assistance clients and emergency benefits for individuals were provided from April to July and \$170,000 in additional benefits were paid. However, there is no net levy impact as all social assistance expenses are 100% provincially funded. Due to the pandemic, senior denture expenses are currently underspent. These costs are 100% municipally funded and are expected to increase as denture clinics have reopened but a small surplus of \$5,000 is anticipated because Public Health is now offering support through a similar program.

Ontario Works Administration and Employment Support budgets are projected to end the year with \$147,000 in gross salary savings with staff vacancies and fewer part time van driver hours. Staff who retired or resigned were not immediately replaced this year due to the pandemic, and a student was not hired for the summer. There are also savings anticipated in Getting Ahead Workshops and OW Assessments due to Covid-19, as well as savings in staff training, conferences, travel and in office expenses such as copying,

printing, postage and office supplies. These savings are also helping to offset additional pandemic related emergency management purchases. The net result of these operational savings is expected to be a surplus of \$201,200 by year end.

- Children's Services: The Ministry of Education has implemented a funding reconciliation process for the childcare closure and reopening periods. County staff have submitted expenditures for these periods and are currently awaiting a decision from the province on any funding recovery due to under-expenditures specific to these months and caused by the closure. The ministry has stated that this funding reconciliation and any subsequent funding adjustments will not place undue hardship on municipal budgets. Therefore, the childcare budgets are expected to end the year on budget. However, if unused cost shared funding is recovered, this may result in a decrease in the required 20% municipal contribution and could result in a net levy surplus. The full impact of any funding recovery will not be known until confirmation and further details are received from the province.

Federal Safe Restart Funding has been received by the County and \$954,328 is available to be used to assist childcare operators with the cost of PPE, enhanced cleaning, child absenteeism, additional staffing and short-term vacancies as operators transition to return to full capacity

The EarlyON and Early Child Planning budgets are expected to end the year with a surplus of \$60,700. These savings are due to the elimination of part time salaries at the Hanover EarlyON centre during the pandemic, as well as savings in staff training, conferences, travel and building maintenance during the closure period.

- Housing and Non-Profit Housing: The Housing department is anticipating a \$279,000 operating budget surplus. Salaries and benefits are anticipated to end the year with savings of \$300,000. This is due to unexpected staff changes and later than expected hiring of two staff positions. There are also savings in staff training and development and travel and meals expense due to limited travel during the COVID-19 pandemic lockdown period. Offsetting these savings are overages in waste removal, insurance and property taxes. As of September 30, 2020, tenant related rent revenue is estimated to be on budget.

A small surplus of \$25,000, anticipated in the budget for Non-Profit Housing is included in the overall surplus above. The various Housing Programs (Investment in Affordable Housing, Social Infrastructure Fund, Canada-Ontario Community Housing Initiative etc.) are 100% Ministry funded and will not generate savings.

The Housing capital budget is expected to end the year on target, with multiple projects delayed to 2021 due to the inability to proceed with non-essential renovation work during COVID-19.

- Long-Term Care Administration: It is anticipated that this department will end the year with a balanced budget. Savings in salaries and benefits are expected due to staff vacancies resulting from later than expected hiring of staff. The cost of this department is funded by each of the three Homes in proportion to the number of beds each home operates, therefore these savings will be distributed to each of the homes and will help to offset each home's expenditures.

- Grey Gables: Grey Gables is expected to end the year with an operating budget surplus of \$43,100. Ministry funding for Grey Gables is \$114,400 higher than expected due to a 1.5% budgetary level of care increase (only 1% was budgeted) and funding for two unbudgeted additional bed licenses. Co-payments from residents are also more than anticipated due to the two additional bed licenses.

Salaries and benefits are \$87,600 more than anticipated. Staffing shortages have resulted in savings from unfilled shifts but have given rise to unbudgeted overtime and agency costs. At September 30, 2020, Grey Gables had \$85,900 in overtime and \$94,300 in direct care agency costs.

Raw food is overspent by \$4,800 at September 30, 2020 due to higher costs for food purchases in 2020. However, maintenance of buildings, staff training and development, administration charges and physiotherapy expenses will be underspent in 2020. These savings are providing surplus funds to offset any estimated over-expenditures and are contributing to the overall projected year-end position.

Grey Gables capital budget is anticipated to end the year on target. Several of Grey Gables' capital projects are delayed into 2021 due to COVID and the inability to proceed with non-essential construction.

- Lee Manor: Lee Manor is expected to end the year with an operating budget deficit of \$65,900. Ministry funding for Lee Manor is \$29,900 higher than expected due to a 1.5% budgetary level of care increase (only 1% was budgeted) and funding for one unbudgeted additional bed license. Co-payments from residents are also more than anticipated due to the additional bed license.

Salaries and benefits are \$138,300 less than anticipated, despite \$338,300 in overtime at September 30, 2020. Staffing shortages have resulted in savings from unfilled shifts but have given rise to unbudgeted overtime and agency costs. At September 30, 2020, Lee Manor had \$140,500 in direct care agency costs, most of which are in the Nursing and Personal Care envelope, and more costs are expected by year end.

Raw food line is also overspent by \$8,800 at September 30, 2020 due to higher costs for food purchases in 2020. However, maintenance of buildings, staff training and development, administration charges and physiotherapy expenses will be underspent in 2020. These savings are providing surplus funds to offset any estimated over-expenditures and are contributing to the overall projected year-end position.

Lee Manor capital budget is anticipated to end the year on target. Several of Lee Manor' capital projects are delayed into 2021 due to COVID and the inability to proceed with non-essential construction.

- Rockwood Terrace: Rockwood Terrace is expected to end the year with an operating budget surplus of \$22,800. Ministry funding for Rockwood Terrace is \$69,000 higher than expected due to a 1.5% budgetary level of care increase (only 1% was budgeted) and funding for two unbudgeted additional bed licenses. Co-payments from residents are also more than anticipated due to the two additional bed licenses.

Salaries and benefits are \$156,800 less than anticipated, despite \$131,000 in overtime costs. Staffing shortages have resulted in savings from unfilled shifts but have given rise to unbudgeted overtime and agency costs. At September 30, 2020, Rockwood Terrace has \$158,100 in unbudgeted agency costs.

Raw food line is also overspent by \$23,200 at September 30, 2020 due to higher costs for food purchases in 2020. However, maintenance of buildings, staff training and development, administration charges and physiotherapy expenses will be underspent in 2020. These savings are providing surplus funds to offset any estimated over-expenditures and are contributing to the overall projected year-end position.

Rockwood Terrace's capital budget is anticipated to end the year on target.

- Long-Term Care Redevelopment: Expenditures for materials & services and professional & consulting fees totaling \$71,000 have been incurred. These expenditures have been recommended and approved to be funded from the Long-Term Care Redevelopment Reserve.
- Paramedic Services: This service is projected to end the year with an operating surplus of \$190,000 and a balanced capital budget. The 2020 Ministry funding allocation has provided \$140,800 more than budgeted. Pandemic pay costs totaled \$308,325 as compared to funding received totaling \$575,400 for this initiative; staff is awaiting details as to how the Province will recover the excess funds. COVID-19 related wage/benefit and supply costs total \$577,600 to date; assuming no significant events occur, costs could total \$750,00 by year-end. The Ministry of Health has requested projected 2020 costs; staff is awaiting a funding announcement, if no designated funding is received these costs will be funded from the Safe Restart Funding – Phase 1 corporate allocation. Amounts provided in the 2020 budget for wages and associated benefits are expected to be adequate.

Variances in other budget lines such as paramedic meals, staff training, travel, fuel and vehicle repairs are expected to result in savings that comprise the remainder of the projected year-end operating budget surplus.

The capital budget includes the purchase of two ambulances, the internally financed debenture cost for the Chatsworth station and a transfer to reserve for future building maintenance. Except for the debenture payment and transfer to reserve, vehicle purchases are funded from reserve and the sale proceeds of used vehicles; as a result, the capital budget will be a balanced budget at year-end.

- Transportations Services: The Transportation Services Department is projecting to end the year with a \$100,000 operating budget surplus and a \$700,000 capital budget surplus.

Pavement marking has been overspent due to an increase of 40% in the previous year cost of paint unit rates. Sign Installation and Maintenance has also been overspent due to the high number of signs needing replaced for reflectivity issues. These overages are being offset by savings in pothole patching, shoulder gravelling, and fuel costs.

Ongoing construction projects are projected to come in at their tendered award amounts and are all scheduled to be completed before the end of 2020. Based on the tendered award amounts, the Grey Road 9 Pulverize and Pave Rehabilitation: Grey Road 109 to Grey Road 23 (9030) project is projecting a year end taxation surplus of \$505,000 and the Grey Road 9 Rehabilitation: Melancthon-Osprey Townline - Grey Road 124 (9060-9069) is projecting a year end taxation surplus of \$295,000. Tendered award details can be found in reports TR-CW-07-20 and TR-CW-08-20. These surpluses are being slightly offset by overages in engineering and external consulting costs, resulting in a capital surplus of approximately \$700,000.

The following three projects have been deferred to 2021 and will be included in the 2021 Budget; Structure 009-900 Grey Road 9 Lot 13, Conc XIII/XIV, Normanby, Structure 900-272: Orchardville Bridge Removal, and the Grey Road 15 Retaining Wall & Hydro Moves: 28th St, Owen Sound (15033).

Covid-19 Impacts and Funding

The COVID-19 pandemic has had a significant impact on the finances and operations of the County of Grey's operations. Expenditures related to COVID-19 have increased as a result of provincial directives that have been received from either the Ministry of Long-Term Care, Ministry of Health, or the Chief Medical Officer of Health for Ontario. This has included increased spending related to additional staff, personal protective equipment, cleaning supplies, equipment to support infection prevention and control measures, and screen and testing initiatives.

Due to the measures that must be taken to mitigate the impact of COVID-19 on the public's health and financial well-being, all levels of government have stepped up to provide assistance. The table below presents a summary of COVID-19 related funding announcements as of the date of this report. These upper level funding impacts have been included in the forecasts provided in this report. Additional funding is expected from the province to support the County's COVID-19 impacts and recovery and any future funding announced will be reported to Council in future updates.

The funding estimated to be utilized in the 2020 budget is based on the financial tracking of expenditures related to COVID-19. Where COVID-19 departmental specific funding is projected to not be sufficient to fund these 2020 COVID-19 operating costs, the allocation of funding from the Federal-Provincial Safe Restart Agreement – Municipal Operating Funding – Phase 1 (\$3,088,500) is being allocated to these budgets to assist with these expenditures. The County will be expected to report back to the province in March 2021 with details on the County's 2020 COVID-19 operating costs and pressures, the overall 2020 financial position, and the use of these provincial funds in a template to be provided by the ministry. No guidelines have been provided by the Province on what expenditures are deemed eligible or non-eligible COVID-19 costs and pressures. Staff have allocated costs to COVID-19 cost centres based on what they believe to be costs and pressures incurred as a result of the pandemic.

Federal-Provincial Funding Announcements

Department	Description	Provincial Funding Announced	Funding Estimated to be Utilized in 2020 Budget
Long-Term Care <i>COVID-19 Prevention and Containment Funding</i>	Funding provided to support the necessary incremental expenditures to prevent and contain COVID-19. Supports increased operational costs related to screening, staffing, supplies and equipment to help maintain the health and safety of the LTC homes residents and staff.	\$1,106,600	\$1,106,600
Long-Term Care, Paramedic Services, and Emergency Shelters <i>Temporary Pandemic Pay</i>	Temporary pandemic pay of \$4/hour worked on top of regular wages to provide additional support for frontline workers fighting COVID-19. In addition, the government provided monthly lump sum payments of \$250 for four months for those who worked over 100 hours per month. Pandemic pay would be effective for 16 weeks, from April 24, 2020 until August 13, 2020.	\$1,943,388	\$1,467,651 Balance to be recovered by Province
Housing <i>Social Services Relief Fund – Phase 1</i>	Funding intended to support Service Managers in supporting a range of vulnerable populations, including people living in community housing, supportive housing, people with low incomes, social assistance recipients, or others who require social services support as well as those that are experiencing homelessness.	\$2,312,900	\$1,734,700 Balance to be utilized in 2021
General <i>Federal/Provincial Agreement – Safe Restart Funding – Phase 1</i>	To support Ontario Municipalities, address operating shortfalls and relief related to COVID-19.	\$3,088,500	\$1,622,700 Balance to be utilized in 2021
Child Care <i>Federal-Provincial Agreement – Safe Restart Funding</i>	Funding to operators for additional personal protective equipment (PPE such as gloves, gowns, etc.), enhanced cleaning, additional staff to meet health and safety requirements; and support for short term vacancies.	\$954,328	\$477,164 Balance to be utilized in 2021
Housing <i>Federal/Provincial Agreement – Social</i>	The objectives of the funding is to mitigate ongoing risk for vulnerable people, especially in congregate settings, encourage long-term housing-based solutions to homelessness post COVID-19 and	\$793,347	\$NIL To be utilized in 2021

<i>Services Relief Fund – Phase 2</i>	enhance rent assistance provided to households in rent arrears due to COVID-19.		
Grey Roots <i>Museums Assistance Program – Covid-19 Emergency Support Fund</i>	The Emergency Support Fund is an additional temporary relief measure created to help alleviate the financial pressures of cultural, heritage and sport organizations facing significant losses due to the COVID-19 pandemic.	\$100,000	\$NIL To be utilized in 2021
Long-Term Care <i>Infection Prevention and Containment (IPAC) Minor Capital Funding</i>	Funding for urgent minor capital upgrades and improvements directly linked to improved infection prevention and control (IPAC) practices for the safety of residents, staff and families.	\$266,826	\$266,826

Legal and Legislated Requirements

None

Financial and Resource Implications

A review of the actual as compared to budget, as at the end of September for all County departments, projects a corporate year-end surplus position of \$1,687,300. This positive variance would represent a 1.07% variance as compared to the 2020 budgeted gross expenditures of \$157,467,400.

This projected variance incorporates the use of any Federal and Provincial funding announced to offset the COVID-19 financial impacts.

The County has been fortunate to have received upper levels of government funding to help weather the immediate impacts of COVID-19. A number of projects, annual maintenance work, and filling vacant positions necessary for normal operations will create challenges in the 2021 budget.

Relevant Consultation

- Internal – CAO, Directors, Managers and Finance staff
- External (list)

Appendices and Attachments

[Attachment to FR-CW-26-20 2020 Operating and Capital Budget Variance Analysis as of September 30, 2020](#)

[Attachment to FR-CW-26-20 2020 Financial Summary Statements as of September 30, 2020](#)