

To:	Warden McQueen and Members of Grey County Council
Committee Date:	November 26, 2020
Subject / Report No:	FR-CW-27-20
Title:	2021 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 Committee as presented per Resolution CW208-20;

Recommendation

1. That Report FR-CW-27-20 regarding the 2021 Corporate Budget Overview and Background be received; and
2. That the budget realignments as a result of the recommended staffing structure changes as contained in Report FR-CW-27-20 be approved.

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 2021 corporate budget overview and background is being presented in order that Council Members are aware of the overall 2021 funding requirements to meet the proposed budget as developed by staff. The net levy budgetary increase as proposed is 2.18%.

The Committee of the Whole 2021 budget review meeting has been scheduled for January 29, 2021.

Background and Discussion

Budget assumptions and directions were used by Finance and other County departments in preparing the draft 2021 budget. These assumptions included general assumptions for assessment growth, supplementary taxation and write-offs, insurance, salaries and benefits, utilities, etc.

Budget assumptions for COVID-19 have also been provided regarding staffing levels, personal protective equipment, Federal-Provincial funding, and other budgetary cost pressures as a result of the pandemic.

The 2021 draft budget has been prepared to maintain services that support each department's mandates, legislative requirements, and deliver on Grey County's stated priorities and expectations for service levels.

As well, the 2021 draft budget contains service level enhancements to maintain and/or improve service levels, and these are summarized in this report.

2021 Budget at a Glance

The 2021 budget as proposed by staff, and based on the most current information, contemplates an estimated net levy requirement of \$62,410,700, which is an estimated overall net levy increase of 2.18%.

The 2021 proposed funding requirements as summarized by Function are detailed below.

2020 Draft Budget – Net Levy Requirement

Function	2020 Net Levy	2021 Net Levy	Increase / (Decrease)	% Change
Corporate Services	\$10,533,200	\$10,868,100	\$334,900	
Planning & Community Development	\$4,390,200	\$4,483,500	\$93,300	
Social Services	\$17,786,300	\$18,495,600	\$709,300	
Transportation and Public Safety	\$27,100,200	\$28,563,500	\$1,463,300	
Funding Required	\$59,809,900	\$62,410,700	\$2,600,800	4.35%
New Assessment Growth	\$1,270,800		(\$1,270,800)	
Additional Funding to be Raised from Taxation – Net Levy Increase	\$61,080,700	\$62,410,700	\$1,330,000	2.18%

The Ontario Government postponed the Municipal Property Assessment Corporation's (MPAC) 2020 Assessment Update (reassessment) due to COVID-19 and 2021 property values will continue to be based on the valuation date of January 1, 2016. Unless there was an alteration or physical change, the values for properties for 2021 are unchanged from 2020 as the new valuation cycle was delayed in response to COVID-19.

Assessment growth is the sum of all the changes that happened in the County's tax base during the 2020 year, including new construction, major renovations, demolitions, and property value appeals. This revenue growth of \$1,270,800 is being incorporated into the 2021 budget based on the Municipal Property Assessment Corporation's (MPAC) Control Totals as of November 17,

2020. This growth estimate will be updated in the 2021 budget with the actual growth results with the Municipal Property Assessment Corporation (MPAC) return of the 2021 assessment roll in December 2020.

The funding required to be raised from taxation will be impacted if assessment growth does not meet or exceeds the estimated \$1,270,800 in taxation.

2021 Budget – Provincial Funding and Cost Sharing

In 2019, in year and future year budget impacts were announced by the Ontario government. These included changes in program funding levels, funding formulas and changes to municipal cost sharing arrangements. A number of these changes that were announced were being implemented over the 2020 to 2022 budget years.

With the impact of the COVID-19 pandemic, the Ontario government has announced the delay of some of the previously announced changes in program funding. Where no delays have been announced, these changes in funding have been assumed to be proceeding in 2021 and 2022 as previously announced. The following is a summary of the changes that were announced and any updates to these that have been provided by the Province:

Health Unit

The Province had announced that a new public health entity was to be formed comprised of Grey, Bruce, Huron and Perth Counties governed by an autonomous board of health. The cost-sharing arrangement with municipalities moved to a 70/30 provincial/municipal cost share in 2020 from the previous 75/25 cost share. The Province had ensured that for 2020 no public health unit would experience an increase above 10 per cent of current public health costs and provided one-time mitigation funding. The 2020 Health Unit budget was developed with no budget increase for 2020 with the use of the Health Unit's 2019 surplus funds and the use of Provincial one-time mitigation funding.

In recognition of the resources needed by public health units to be able to respond to COVID-19, the Province announced that it was extending the one-time mitigation funding to 2021. The Grey Bruce Public Health Unit has indicated that with the receipt of this funding announcement received from the Ministry of Health that there will be a 0% increase to the County portion of funding for 2021.

This announcement defers the estimated cost sharing municipal impact of \$1,031,483 until 2022, with Grey County's share being \$603,689 and Bruce County's share being \$427,794.

Social Assistance, Ontario Works and Employment Services

The provincial modernization of social services has an impact on the social services budget. Ontario Works provincial funding for administration has been frozen at 2018 actual expenditure levels of \$2,977,900 for 2019, 2020 and 2021 budget years.

In addition to moving Employment Services away from each CMSM and to a contracted service, the Province is moving forward with a centralized and automated client intake, beginning with 7 prototype sites starting in November 2020. Straight forward applications will be redirected to central intake, while more complex benefits requests will remain with the CMSM for processing.

The Ministry of Children, Community and Social Services (MCCSS) has confirmed that the 2021 budget is being kept at 2020 baselines to provide stability and opportunity to respond to shifting priorities and client needs. Staff have worked on reducing expenditures in the Ontario Works budgets in order to try and meet ministry expenditure levels. Employment Transformation and the centralizing of Intakes are expected to impact the Ontario Works Administration budget by a minimum of a 20 percent reduction in funding in 2022.

Child Care

Child Care funding changes were announced in 2019 to be phased in over a three-year period starting in January 2020. On January 1, 2021, CMSMs will be required to cost-share Expansion Plan operating funding at a rate of 80/20 provincial/municipal, and CMSMs will be required to cost share all administrative funding at a rate of 50/50.

This will require the County to provide an additional \$77,100 in funding related to the cost sharing of the administrative funding for the various Child Care programs, which had previously been funded 100% by the province.

As well, for the County to maintain and utilize all of the ministry's 2021 expansion funding of \$961,000, a municipal contribution of \$234,300 would be required. In addition to supporting the 361 new childcare spaces that have been created since 2017, there are several retrofit or expansion capital projects scheduled to go forward in 2021 and these will be seeking support from the County through the expansion funding.

On January 1, 2022, the threshold for the allowable administrative funding CMSMs can spend on childcare will be reduced from 10% to 5% and this would require an estimated \$235,300 in additional municipal funding.

Transportation Services

Federal Gas tax funding has been incorporated into the budget and this will be based on the 2019-2023 allocation notice of \$2,975,833 for 2021.

The Ontario Community Infrastructure Fund (OCIF) – formula-based funding allocation has been included in the 2021 budget based on the 2020 allocation notice of \$1,279,946. As of the date of this report, no announcement has been received from the Province relating to the 2021 OCIF formula-based program.

Service Levels, New Initiatives and Staffing Level Changes

As stated previously, the 2021 budget has been developed with the costs of maintaining current programs at current service levels. The 2021 budget also has been drafted with additional resources to maintain and improve service levels, along with funding for new initiatives. The following is a recap of some of the 2021 budgeted service level changes, new initiatives, and staffing level changes that have been included in the proposed 2021 budget:

- Human Resources – as per the Organizational Review, funding has been included in the 2021 budget to adjust resources to provide the level of strategic leadership necessary for the complex and changing needs of the County. Also, the budget includes the addition of a Payroll & Benefits Supervisor position to support payroll staff who are also managing benefit issues and dealing with daily inquiries.
- Finance Department – funding has been included in the 2021 budget to provide for the addition of a Financial Analyst in order to address staff's consistent overtime.
- Economic Development – Community Transportation – County Council endorsed that staff be directed to add the Grey Road 4 route between Durham, Hanover and Walkerton in 2020 with the cost to operate this route for the period of September 1 to December 31, 2020 to be funded from the One-Time Funding Reserve, with the service costs for 2021 and 2022 to be included in the annual budget. The cost to provide this service in 2021 has been budgeted at an estimated cost of \$93,600. The transportation routes, as approved in the Provincial Community Transportation grant, have been budgeted at a cost of \$994,000 for 2021, with \$961,000 being funded by the provincial conditional grant, and the remaining funding required from reserves and miscellaneous receipts.
- Housing – budgeted expenditures of \$76,000 have been incorporated into the 2021 budget to provide free public WIFI internet services in the common areas of 27 Housing building sites. For 2021, \$43,000 of this \$76,000 cost will be funded from reserves for the initial information technology capital costs, with the annual operating costs for internet services of \$33,000 being funded from taxation.
- Long-Term Care – the 2021 budget has been developed in response to a focus on direct resident care, human resources challenges in the sector, and infection prevention, with the following investments being included at an estimated cost of \$388,800:
 - Dietary – 628 hours
 - Laundry – 365 hours

- Personal Support Worker – 2,738 hours
 - Activation – 3,154 hours
 - Registered Practical Nurse – 416 hours
 - Registered Nurse – 1,248 hours
 - Scheduler – 780 hours
 - Clerical – 392 hours
- Paramedic Services – in order that response time enhancements can be made, the addition of a night shift to the Chatsworth EMS base has been included in the 2021 budget. The impact on the 2021 budget for the additional staffing is estimated to be \$700,000.

The Ministry of Health provides current year funding based upon a 50/50 cost sharing model, where the funding is based on the Paramedic Services previous year's operating budget, adjusted for Public Sector Accounting Board (PSAB) eligible expenditures. Based upon this Ministry funding model, the first year of a service level increase would be the full responsibility of Grey County, with no Ministry contribution until 2022. Staff recommend that for year 1 (2021), 50% (\$350,000) of the increased cost be funded from reserve and the remaining 50% from taxation. Assuming the Ministry funding model is unchanged, the Ministry would then provide funding at a 50/50 cost share in year 2 (2022) with no future reserve funding being required.

- Transportation Services – the 2021 budget includes an approximate 1% corporate budget increase or \$598,100 in taxation funding in the Construction, Resurfacing and Minor Capital budget. This funding is in addition to any inflationary cost increases estimated for the 2021 budget portfolio and this is based on the 2016 Asset Management Plan recommendation of 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.
- COVID-19 Federal-Provincial Funding – the COVID-19 pandemic has had a significant impact on the finances and operations of the County of Grey. 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 expenditures and funding estimated in the 2021 budget for COVID-19 is based on 2020 expenditures and 2020 department specific announced funding. Where COVID-19 departmental specific funding is projected to not be sufficient to fund these 2021 COVID-19 operating costs, the allocation of funding from the Federal-Provincial Safe Restart Agreement – Municipal Operating Funding – Phase 1 has been allocated to assist with these expenditures and pressures. The 2021 budget as developed does not require any taxation funding and therefore has no budget impact.

Meetings, Training, Travel and Conferences

As a result of the COVID-19 pandemic, participation in meetings, training, workshops, and conferences has moved from in-person to virtual. Staff believe that this will continue for at least the first half of 2021 and the costs for training, travel and conference budget lines have been

reduced by an estimated \$188,000. If training, workshops and conferences return in the manner they have traditionally been delivered, this will have an impact on future budget requests.

Budget Realignments

As part of COVID-19 recovery efforts and the impact this pandemic was having on Grey County Businesses; Economic Development, Tourism, Communications and Grey Roots staff were re-aligned for better alignment of in-house expertise and resources. This re-alignment has been found to be advantageous and it is being recommended by staff that these temporary changes be made permanent. This would result in the following departmental staffing structure changes:

- 1 Tourism Marketing & Communications Specialist to be reallocated to the Communications Departmental budget
- 1 Grey Roots Media & Communications Coordinator to be reallocated to the Communications Departmental budget
- 1 Tourism Partner and Media Relations Specialist to be reallocated to the Economic Development Departmental budget

Staff have drafted the 2021 budget based on these recommended staffing structure changes and recommend the reallocation of the 2020 budget and actual costs to provide a year-over-year budget comparison. These changes do not result in any overall funding changes to the 2021 and the 2020 budgets but are being detailed in order that Council is aware and endorses these budget realignments. It should also be noted additional staffing has been included in the Communications budget to offset parental leaves that have been budgeted to occur in the Communications and Economic Development departments in 2021.

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) For each year, an upper-tier municipality shall, in the year or immediately preceding 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;
 - (b) amounts required to be raised for sinking funds or retirement funds;
 - (c) amounts in respect of debenture debt or lower-tier municipalities for the payment of which the upper-tier is liable; and
 - (d) amounts required by law to be provided by the upper-tier municipality for any of its local boards, excluding school boards.

Exception

- (1.1) Despite subsection (1), a budget for a year immediately following a year in which a regular election is held, may only be adopted in the year to which the budget applies.

Financial and Resource Implications

The proposed budgets as developed by staff, and based on the most current information, will require an additional \$2,600,800 to be raised from taxation or an estimated levy increase of 4.35%. This 2021 budgetary levy increase has been estimated to be assisted with an additional \$1,270,800 in new 2020 assessment growth. This would then equate to a 2021 net budgetary levy increase of 2.18% to be raised from taxation.

In order to realize an overall net levy increase of less than 2.18%, further budgetary reductions and/or the use of one-time funding sources would be required.

This estimated net levy increase of 2.18%, could change if the 2020 estimated assessment growth of \$1,270,800 is not realized. For Council's information a 1% levy increase equals approximately \$610,800.

Relevant Consultation

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

Appendices and Attachments

None