

Report FR-CS-33-15

To: Chair Pringle and Members of the Corporate Services Committee
From: Kevin Wepler, Director of Finance
Meeting Date: October 13, 2015
Subject: **Draft 2016 Corporate Services Budget Overview**
Status: Recommendation adopted by Committee as **amended** per Resolution CS100-15; Endorsed by County Council November 3, 2015 per Resolution CC151-15;

Recommendation(s)

THAT Report FR-CS-33-15 regarding the Draft 2016 Corporate Services Budget be received;

AND THAT the 2016 Corporate Services Budget as presented/amended be forwarded to County Council for its consideration.

Background

The Corporate Services Committee is responsible to oversee the budgets of Council, Corporate Administration, Assessment, Provincial Offences, County Property, Health Unit and Health Care Initiatives budgets. This Committee is also responsible for the administration of the taxation budget, which includes supplementary tax and tax write-offs.

The overall net budget of operating and capital combined totals \$9,074,665, requires a net levy increase of \$299,732 or a 3.42% increase over the 2015 budget. This reflects a 0.58% increase to the corporate net levy requirement for 2016.

Council Budget

The 2016 Council budget has a budget increase of \$2,818. In accordance with By-law 4702-10¹, the annual salaries and per diem rates have been increased by 1.4% which is the estimated Federal Consumer Price Index increase.

¹ A By-law to Establish Remuneration and Expenses to be Paid for County Council, Committee and Board Meetings and to set the Honorarium for Committee Chairs

The Association and Membership Fees budget line includes funds for memberships with the Ontario Good Roads Association, the Federation of Canadian Municipalities, Association of Municipalities of Ontario and the Western Ontario Wardens' Caucus.

Administration Budgets

The Administration Budget is a consolidation of budgets of the CAO, Clerk, Communications, Emergency Management, Finance, Human Resources and Information Technology (IT) Departments.

The 2016 Administration budget includes a requested levy contribution of \$4,130,855 which is an increase of \$155,485 over the 2015 budget.

The 2016 budget lines for Wages and Benefits reflect a 2% wage increase, along with merit increases and any estimated benefit rate increases and/or decreases. These budget lines also include the cost increases as a result of the annualization of the Human Resources Generalist position. This position was approved with funding for a July 2015 start date in the 2015 budget and the annualization of this position in the 2016 budget will require an additional \$50,355 in funding for 2016.

The Human Resources Strategic Plan completed in 2012 identified the need for this position to assist various divisions with their labour relations responsibilities. This position that was approved in 2015 is to work specifically with Long Term Care operations and be responsible for the day to day labour relations issues, including grievance administration, collective agreement administration, labour relations research, recruitment and training.

Workers' Compensation and Weekly Indemnity Budget

The Workers' Compensation and Weekly Indemnity budgets are self-insured plans. The premiums charged to County Departments are shown in these budgets as a credit or a source of revenue and this is used then to pay all of the costs to administer these self-insured plans.

In 2014, as part of a consultant's work in providing actuarial services for the County's WSIB and post-employment benefits, a recommendation on the appropriate internal charge out rates for WSIB and reserve levels was provided. Based on this analysis and the 2015 claims history, premium rates for the Workers' Compensation budget for Paramedic Services and Long Term Care have been decreased by approximately 25% to reflect lower claim costs that have been required to be funded from the self-insured Workers' Compensation budget. The Human Resources Department has been working closely with Paramedic Services and Long Term Care operations in order to reduce lost time and while this work has been successful, some of the savings being realized in the

Workers' Compensation budget has been offset with increased costs in the Paramedic Services and Long Term Care budgets with additional funds required for modified duty. Corporate wide the adjustments made in Workers' Compensation premium rates will result in approximately \$156,300 in budgetary savings with lower premiums being charged out to each of the County Departments in 2016.

Information Services Budget

This Departmental Budget accumulates the costs of keeping the County's base network servers up and running along with the costs of licensing and providing virus protection. It also provides training funding to keep the County's Information Technology staffs' knowledge current with new network developments.

This budget is funded by an inter-functional charge to each department. This inter-functional charge equates to a cost per computer of \$700 per annum. The increase in the Computer Software budget line is a result of the proposed move to enter into software licensing programs for Microsoft software and for the Corporation's records management software. This budget line increase has been offset with a reduction in *the* Interfunctional Computer Software budget lines where previously these savings in software licensing had been budgeted and these expenditure savings were then set aside in reserve in order to provide a future funding source for the upgrade or replacement of these software *programs*.

General Administration Budgets

Investment Income is being budgeted \$65,000 lower in 2016 due to lower investment interest reinvestments. As per the Cash and Investment Management Policy, "*that the net revenue budgeted from investments in a fiscal year and used in the calculation of the County's tax rate is to be not greater than 1% of own purpose levy and that any investment revenue that is budgeted that exceeds this threshold shall be placed in a one-time funding reserve for use in funding non-recurring expenditures.*", a transfer to reserve in the amount of \$165,782 has been budgeted for 2016.

Payments to Individuals and Organizations include the budgeted payments for the following:

- \$3,400 – Municipal Employer Pension Centre of Ontario (MEPCO) -OMERS Support Fund
- \$10,000 – Children's Water Festival
- \$250 – Federation of Agriculture – Public Speaking Competition

Assessment Budget

The County pays for the cost of the services of the Municipal Property Assessment Corporation (MPAC) on behalf of all municipalities in the County. MPAC's fee for 2016 has been estimated to be \$1,797,295 or an increase of \$1,729 over the amount budgeted in 2015. The estimated budget for 2016 is based on the billing increase the County experienced in 2015 (0.15%) as compared to the 2015 billing.

County Property – Administration Building Budget

This budget includes the ongoing costs of operating and maintaining the County Administration Building.

An Inter-functional Administration Charge of \$17,950 has been shown as a credit in this budget in order to allocate maintenance staff costs to the Provincial Offences building where these costs are cost shared with Bruce County in the Provincial Offences operating budget.

County Property – Provincial Offences Building Budget

Rental income is included in this budget which is the offset of the rent charged to the Provincial Offences operating budget. This income exceeds the County's operating costs and should be viewed as a return on the capital spent to renovate and upgrade this building.

Provincial Offences Operating Budget

The County operates the Provincial Offences courts for both Grey and Bruce Counties. The net revenue from the program is cost shared on the basis of population.

In 2014, the Provincial Offences operations incurred a significant decrease in volume of Part 1 tickets. The 2015 budget, in recognition of this reduction in revenues, where staff vacancies had occurred in 2014, these staff positions were left vacant and the work re-assigned to existing staff members. This resulted in the 2015 budget being approved with a decrease of two full-time positions. For 2016, staff is proposing the removal of the Provincial Offences student position and the addition of a contract position for a 3rd court clerk position. Staff does not believe the Provincial Offences operations current staffing levels will be able to maintain operating three courts a week and manage the required trial scheduling.

The position is only being proposed as a contract position rather than a permanent position until a decision has been made by the Province on the merits of a potential administrative monetary penalty system that would, if implemented, replace formal in-court procedures for resolving disputes, with an online system. The net budgetary

impact of these staffing recommendations on the 2016 budget is estimated to cost \$29,981.

As always, predicting the financial future of the POA budget is not easy as the County has no control over the volume of tickets that are being issued.

Administration and General Administration – Capital Budgets

The 2016 budget consists of the following expenditures:

- \$75,000 in expenditures to update the Corporate Strategic Plan.
- \$110,000 in expenditures to complete building condition assessments on County facilities.
- \$45,000 in expenditures to conduct a service review of the Finance Department.
- \$165,000 in expenditures to complete a Job Hazard and Physical Demands Analysis.
- \$45,000 in expenditures to review Corporate Communications.
- \$75,000 in expenditures to assist with the replacement of the Corporate Records Management software.
- \$80,000 in expenditures to rectify Parcel Data.
- \$10,000 as a Transfer to Reserve for future Telephone System upgrades.
- \$30,000 as a Transfer to Reserve for future Photocopier replacements.
- \$9,000 as a Transfer to Reserve for future updates of the Corporate Communications Plan.
- \$8,000 as a Transfer to Reserve for future Ortho Photography expenditures.
- \$20,500 as a Transfer to Reserve for future Tower Replacements (Ceylon and Woodford).
- \$7,000 as a Transfer to Reserve for future updates to the Corporate Website.
- \$7,500 as a Transfer to Reserve for a future Market Salary Review.
- \$22,700 as a Transfer to Reserve for future updates of the Human Resources software.

Property – Administration Buildings - Capital Budgets

The 2016 budget requires a proposed levy contribution of \$669,419 of which \$600,207 is being proposed as a transfer to reserve as a provision for the proposed addition and renovation to the existing County Administration Building. This reserve funding budget amount is a planned annual increased contribution working towards providing funding to meet the required debenture payment. For 2016 an additional \$175,000 is being transferred to reserve in 2016 in an attempt to provide funding to meet the required debenture payment beginning in 2017.

Based on the estimated total build cost that has been provided by the Ventin Group, less the funding that has been placed into reserves and/or is being budgeted in the future to be placed into reserves, an estimated debenture for approximately \$9.8 million would be required. The annual debt payment to fund this debenture over a loan term of 15 years at an annual interest rate of 2.73% has been calculated to equal \$802,743.

The other projects proposed in the 2016 Administration Building budget are as follows:

- \$6,500 to replace flag poles.
- \$35,000 for painting of the exterior of the Administration Building and its balcony decks.
- \$42,000 to replace the HVAC rooftop units that control the heat and air conditioning for the Administration Building.
- \$20,000 to install humidifiers on the upper level of the Administration Building.
- \$69,212 as a Transfer to Reserve for future capital funding to provide adequate funds in reserve for the replacement of building and equipment components in the future.

Grey Bruce Health Unit

Public Health Units in Ontario are funded 75% by the Ministry of Health and 25% by the Local Municipalities. The 2016 budget has been developed based on the Ministry's new Public Health Funding Model for Mandatory Programs. The Ministry has chosen to use an Equity Adjusted Population Model which has two groups of equity factors and associated indicators. This Equity Adjusted Population Model is based on Service Cost Drivers and Drivers of Need which are combined to create a unique Equity Adjustment Factor for each health unit.

The funding implication that this has on the 2016 Health Unit's budget is that the Ministry has calculated that the Grey Bruce Health Unit is being overfunded and

therefore any future growth in the public health envelope will go to those health units who are underfunded. The Grey Bruce Health Unit is therefore anticipating a 0% increase to their mandatory cost shared budget.

The 2016 Health Unit budget has been budgeted with a 0% increase based on the Health Unit's 2015 Ministry approved budget. The Health Unit will have challenges in 2016 and future budget years with this new funding model. If the Health Unit was to incur a deficit, the Counties of Grey and Bruce would be responsible to fund this deficit. The County of Grey has established a Health Unit reserve and this reserve could be utilized if a funding deficit was realized. This reserve is projected to have a 2015 year-end balance of \$181,646.

Centre Grey Hospital Campaign (Markdale Hospital)

The 2016 budget includes a transfer to reserve of \$100,000 for the Centre Grey Hospital Campaign, with 2016 representing the 8th installment to reserves for this project. Council approved a capital grant of land and money for the Centre Grey Health Services Foundation for the Centre Grey Hospital Campaign in the total amount of \$1,000,000.

The amount of money to be paid as part of the capital grant shall be determined by subtracting the value of the lands donated to the Centre Grey Health Services Foundation from the \$1,000,000 and the value of the lands shall be determined by an appraiser at the time of the land transfer.

The approval of this capital grant is contingent upon the approval of funding for completion of the Centre Grey Hospital by the Province of Ontario and payments will not be processed until such time as construction begins, but not before 2009.

Grey Bruce Health Services – The Hospital Campaign

The 2016 budget has been drafted with the 3rd installment of \$200,000 of a financial contribution of \$1,000,000 in funding to the Grey Bruce Health Services for "The Hospital Campaign", of which \$154,610 is being funded from taxation and the balance for 2016 being funded from the County's Health Care Initiative Reserve.

Health Care Initiatives Funding

In order to continue with the recommendation that ½ of 1% of own purpose levy maximum per year for contribution to capital construction of projects of hospitals is maintained, a transfer to the Health Care Initiatives reserve in the amount of \$2,499 has been included in the 2016.

The 2016 budget has been drafted with taxation of \$100,000 being allocated to the Centre Grey Hospital Campaign along with \$200,000 in funding being provided for the Grey Bruce Health Services – “The Hospital Campaign”, of which \$154,610 is being funded from taxation and \$2,499 in taxation being transferred to reserves for Health Care Initiatives funding or a total from taxation of \$257,109 or ½ of 1% of the 2015 budgeted levy contribution of \$51,421,811.

Georgian College – Marine Emergency Duties Training Centre

The 2016 budget has been drafted with the 2nd installment of \$200,000 of a financial contribution of \$2 million in financial support to Georgian College to construct a Marine Emergency Duties (MED) Training and Research Centre at the Owen Sound Campus.

This funding of \$2,000,000 is being provided over a ten year period beginning in 2015.

Financial / Staffing / Legal / Information Technology Considerations

The Corporate Services Budgets as proposed will require a levy increase of \$299,732, or a 3.42% increase over the 2015 budget. This reflects a 0.58% increase to the corporate net levy requirement for 2016.

Link to Strategic Goals / Priorities

Communication is a key value to the County’s Strategic Plan. This report provides information to the Corporate Services Committee and to Council in regards to the items impacting the Corporate Services 2015 Budget.

Attachments

[Attachment to FR-CS-33-15 Draft 2016 Corporate Services Budget](#)

Respectfully submitted by,

Kevin Weppler
Director of Finance