

To:	Warden Hicks and Members of Grey County Council
Committee Date:	November 14, 2019
Subject / Report No:	FR-CW-27-19
Title:	Corporate Financial Update and Year-End Projection as of September 30, 2019
Prepared by:	Kevin Wepler, Director of Corporate Services
Reviewed by:	
Lower Tier(s) Affected:	Not applicable
Status:	Recommendation adopted by Committee as presented per Resolution CW214-19;

Recommendation

1. That Report FR-CW-27-19 regarding a Corporate Financial Update and Year-End Projection as of September 30, 2019 be received for information.

Executive Summary

This report is to provide a corporate financial update for all County departments based upon financial statements as of September 30, 2019. 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 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 approximately \$92,000 in projected surplus funds. Investment income is projected to be higher by \$285,000 due to some higher yields of return being realized and bond fund market values rebounding in 2019.

Capital projects procured are currently within budget. Overall the Administration budget portfolio is anticipated to end the year with an estimated positive variance of \$429,600.

- 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 with a small deficit of approximately \$10,000 with licensing costs incurred being higher than budget estimates.
- 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 with a surplus of \$19,000 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 \$202,400. This includes the budgeted transfer to reserve of \$92,500. Catastrophic loss insurance is lower than budgeted (\$60,219 lower) due to Council's earlier decision to not renew the Accidental Death and Dismemberment (AD&D) insurance and to self-insure the first \$500,000 of every claim. The biggest cost driver in this budget is the large number of claim costs. While there are still a number of PTSD/Traumatic Mental Stress claims ongoing, the peer support and early intervention program that Council approved for Paramedic Services has resulted in fewer claims being initiated in 2019 as compared to previous years. If year-end projections are correct and this deficit is 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 on budget.
- Provincial Offences: This budget is projected to end the year with a shortfall of \$30,000 after cost sharing with Bruce County. Gross revenues are \$53,852 higher than budgeted as of the end of September and typically slows in the fourth quarter; based on comparisons with the fourth quarters of 2017 and 2018, a revenue shortfall of \$53,400 will exist at year-end with Grey County's share being \$31,300. After considering variances in other budget lines, the result is the projection shown above. Part 1 ticket totals have been on a steady incline since April, and while May ticket volumes were 180 less than 2017, June, July and August Part 1 ticket volumes have surpassed the 2017 and 2018 numbers (by 623 tickets). Some of this can be attributed to higher traffic volume in the area during the summer as well as an increased focus on handheld devices and on the Part 3 side, larger enforcement of stunt driving. Part 3 ticket totals are up approximately 150 from the same period in 2018.
- Health Unit and Other Funding Initiatives: It is anticipated that the Health Unit budget will end the year with a surplus of \$188,800. This surplus is \$173,700 higher than what was projected previously with the County receiving in July notice that the Health Unit's had ended the 2018 fiscal year with a surplus of \$173,301.77 owing to the County of Grey.

The 2019 budget provided a transfer to reserve for Health Care Initiatives and a payment for the Marine Emergency Duties Training Centre at Georgian College. Council has received delegations from the Grey Bruce Health Services and the Collingwood General and Marine Hospital seeking capital grant funding. Council has endorsed the appointing of an ad-hoc Health Care Roles and Responsibilities Task Force to bring a recommendation regarding a policy for Health Care spending and a recommendation regarding current requests for funding including but not limited to Collingwood General and Marine Hospital, Grey Bruce Health Services request regarding the MRI, and support for physician recruiting and retention not to exceed the current in year budget of \$277,300.

- **Property:** The operating and capital budgets for the Administration and Morrison Buildings are projected to have a balanced position at year-end. The estimated savings in the operating budgets, primarily from the budget lines for hydro, cleaning supplies and salaries and associated benefits in the Administration building are offset by higher snow removal costs than anticipated. The capital budget for the Administration Building is on budget.
- **Taxation, Grants and Other.** The anticipated year-end projection for omitted/supplementary taxation and tax write-offs is a surplus of \$1,009,500. This projection is based on estimates that have been provided by local municipal staff.

The County received notice on March 20, 2019 that the County would receive a one-time payment in the 2018-19 fiscal year to support small and rural municipalities' efforts to become more efficient and reduce expenditure growth in the longer term. Grey County received a one-time modernization payment of \$725,000. This funding was not anticipated in the 2019 budget and therefore is providing unbudgeted revenue and surplus funds in the 2019 budget. For this report, this funding is not being included in the projected overall year-end variance as these funds will be recommended to be transferred to reserve to be used for projects, expenditures or initiatives that come forward to Council for approval or approval for use in the 2020 budget.

The County also received notice in November 2018 that the Ontario Government would provide \$40 million in funding over two years to municipalities to help with the implementation costs of recreational cannabis legalization. The Province announced that funding would be received in two payments and the second payment would be based in relation to opt-out decisions made by the lower-tier municipalities. The 2019 budget included \$63,800 in grant funding based on the first payment allocation notice that had been provided. The County has now received three payment allocations totaling \$156,100. The additional funding was not budgeted in the 2019 budget and therefore is providing \$92,300 in additional unbudgeted revenue. This additional revenue has not been projected in the overall year-end variance as these funds cannot be used to cover costs not related to cannabis legalization.

- **Planning:** The Planning operating and capital budget is anticipated to end the year with a slight surplus of approximately \$5,000. The savings are in the civic addressing budget as the printing of the new map book was less than the budgeted amount, and the expenditures for new civic addressing signs is currently less than the budgeted amount. Staff have awarded the Climate Change Action Plan (CCAP) project to ICLEI

Canada and staff recently met with the consultant to finalize the workplan for the project and to also start developing a communication and engagement plan. Some expenses are anticipated for the CCAP in 2019, however staff are anticipating carrying over most of the project funds in the 2020 budget. Official Plan Amendment (OPA) application revenue is currently lower than projected as some OPA's that were submitted were no longer required based on the new Official Plan policies and therefore some Applicant's withdrew their OPA's. Subdivision application revenue is higher than projected and more subdivision applications are expected prior to year-end which will offset the OPA revenue loss.

- Agriculture: The Agriculture budget is anticipated to end the year with a surplus of approximately \$10,000. The current variance between net YTD budget and actual amounts is due to all payments to other organizations already having been paid in full for the year; this variance is predicted to decrease to nil by year end. As of the end of September, coyote grant expenditures are slightly less than the YTD budget amount and beaver grant expenditures are lower than what was budgeted, which has resulted in the anticipated surplus.
- Forestry: The Forestry budget is currently anticipated to have a slight deficit of approximately \$10,000. This is primarily due to less revenue from forest harvests than what was originally anticipated (approximately \$17,000 less) with some of that to be offset by other savings in the overall Forestry budget. The Forestry Trails budget is expected to end the year with a surplus of approximately \$20,000. Staff anticipates carrying over funds in the 2020 budget for signs, trail improvements (hired equipment), and maintenance of trails in order to have funds in 2020 to implement some of the recommended action items from the Recreational Trails Master Plan, which is scheduled to be presented to Committee of the Whole on November 28, 2019.
- Trails: The Trails operating and capital budgets are anticipated to end the year with a surplus of approximately \$40,000. Maintenance of the CP Rail Trail was initially budgeted at \$50,000 as it was anticipated that granular material would be required following the grading of the trail that took place in 2018. However, the trail settled well over the winter and therefore additional granular material was not required. There are some sections that need some improvement and Grey Sauble staff are hoping to address those prior to year-end, but if not, the work will need to occur in the spring of 2020. Staff also anticipate carrying over the sign funds into 2020, as one of the recommendations in the Recreational Trails Master Plan is to develop a signage plan to ensure that all the signs within the County forest trails and the CP Rail Trail are consistent and are trail-user friendly. Staff plan to implement this in 2020.

The geotechnical work required to complete the design for Culvert/Bridge 80 has been completed and was less than the budgeted amount. Transportation Services is currently finalizing the design work in order to prepare a more detailed estimate. Preliminary estimates for the replacement of Culvert/Bridge 80 on the CP Rail Trail is \$300,000, and this is scheduled to be replaced in 2020. Culvert 5A was scheduled to be replaced this year; however, upon further inspection Transportation Services recommended some minor repairs to extend the life of the culvert and this work was performed by Transportation Services staff for less than the budgeted amount. Culvert 7 has been replaced and this was also less than the budgeted amount. All these projects are funded

out of the Trails Reserve and therefore there is no surplus realized as the funds will remain in the Trails Reserve. The additional funds within the reserve will assist with the expenses related to the replacement of Culvert/Bridge 80 in 2020.

- Economic Development: Based on projects and plans for the year the Economic Development budgets will end the year with a \$175,400 operating budget shortfall and a balanced capital budget. A reduction in the cost for salaries and benefits totaling \$47,000 and supply line savings of approximately \$10,000 will be used to offset a \$232,400 projected shortfall in the community hub operating budget.

This is the startup year for the community hub (Sydenham Campus), external scenarios have impacted the planned process of securing revenue. Staff is working with partners and other levels of government to renovate the building, improve building systems, introduce programming and secure tenants, expected to begin later this year. A revised business plan is complete and includes several revenue options beginning in 2020.

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

The capital budget includes projects for providing community improvement plan funding to member municipalities and renovations to the community hub with \$42,588 spent to date.

- Tourism: Tourism's budget is \$34,200 under budget as of September 30. Some of this variance is explained by staff vacancies which lowered the actual salary and benefit costs. While most of the summer and fall marketing campaigns are complete, some of these expenditures and the final push for early winter marketing remain. Tourism is projecting a year-end operating surplus of \$20,000.

Tourism's Website Development Capital Project is funded from reserve and is expected to come in within budget.

- Grey Roots: Grey Roots is anticipating the operating and capital budgets will end the year on budget. Museum retail sales and special event admissions have already surpassed 2019 expectations. These surpluses are offset by higher maintenance of equipment, snow removal, and exhibit costs.

Grey Roots capital projects are projected to end the year on budget with the majority being funded from reserve.

- Ontario Works: The Ontario Works combined budgets are projected to have a \$142,900 surplus at year end. The average monthly caseload for Social Assistance is 1,272 compared to the anticipated 1,341. Basic Needs, Shelter and Mandatory Benefits remain underspent while Temp Care and Funerals are over budget. However, there is no net levy impact as these expenses are 100% provincially funded. Non-shareable funerals and senior denture costs are currently underspent but are expected to be fully spent to meet needs by the end of the year. Homemaker costs continue to be underspent and will result in an estimated surplus of \$3,000 in the Social Assistance budget by year end.

As part of the provincial expenditure reductions, the funding in the Ontario Works Administration and Employment Support budgets has been reduced to the 2018 level funding. Staff have initiated a plan to reduce expenses in these budgets by \$396,000 this year to match the 2018 expenditure level, rather than having a funding shortfall. In addition to salary savings in the first half of the year, four vacant positions in the later part of the year were not filled and total salary savings are expected to be approximately \$256,000 by year end. Other operating savings are occurring in furniture and equipment, staff training and conferences. These salary and operating savings are expected to result in a year end surplus of \$139,900 for Ontario Works Administration and Employment Support, which is the County's 50% cost share that had been budgeted for the expenses that were reduced in these budgets.

- Child Care: The Children's Services budgets are expected to end the year with a surplus of approximately \$25,000 in the EarlyON and Early Years Planning and Data Analysis budgets due to a contract position that was not filled in 2019, as well as part time staff salary savings. In the Fee Subsidy budgets, costs in the Licensed Home child care continue to be lower than last year, with fewer Home Child Care providers this year. The County has been allocated \$2,037,336 in Expansion and Early Learning and Child Care (ELCC) funding which is being used to maintain costs for expanded services including general operating grant funding, special purpose funding, and special needs resourcing. In addition to the opportunities to utilize the funds as described above, there have also been some external challenges that have impacted the ability to plan and spend the full Expansion and ELCC funding this year. Some operators report that they are unable to expand and operate at full licensed capacity due to staffing restrictions. In addition to this, the late release of the provincial funding allocations created planning challenges for 2019, and it is not known at this time whether ELCC funding will continue beyond March 31, 2020.

- Housing: Overall, the Housing budget is projected to have a balanced operating budget. As of September 30, tenant related revenue totaled \$40,812 more than the year-to-date budget. In addition, tenant maintenance charges totaled \$10,060 more than year-to-date budget. After projecting rent revenue to year-end and taking into consideration the increased year-end write-off of uncollectible accounts, in total these two budget lines may result in \$30,000 more than budgeted.

Salaries and wages are underspent at September 30, 2019. Unexpected staffing changes will result in approximately \$18,000 in savings compared to what was budgeted. The combined budgets for utilities are currently expected to have an overall \$110,000 surplus considering higher gas and hydro usage during the winter months.

Equipment and Furniture Purchases is over budget by \$12,000 due to equipment needs for Victoria Village and some unexpected equipment purchases required this year. Electrical repairs line is overspent due to some larger repairs in four buildings. This line is overspent by \$15,232. Waste removal for the three Golden Town Buildings was missed last year at budget time causing over budget by \$18,000. Snow removal will be over budget by an estimated \$53,000. Averages over the last four years were used to determine snow removal budget. This amounts to a total of \$98,232 which will be covered by the surplus in utilities and rent.

The savings from the federally funded Rent Supplement Program are expected to total \$16,000. In addition, the Non-Profit budget will end the year with an \$18,000 surplus due to mortgages renewals by our non-profit housing providers at lower mortgage rates than budgeted. 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 is expected to end the year on target; this projection is based upon projects that have estimated final costs. There are savings and shortfalls in several individual projects that have offset each other.

- Grey Gables: Grey Gables is expected to end the year with an operating budget shortfall of \$100,000. The overall projected deficit is due mostly to higher than anticipated staffing costs and unbudgeted overtime costs. Two flu outbreaks in early 2019 resulted in higher than expected staffing costs in Housekeeping and Laundry departments. Staffing shortages have resulted in unbudgeted agency and overtime costs in the Nursing departments. At September 30, 2019, Grey Gables has \$103,683 in unbudgeted overtime costs, most of which belongs to the Nursing envelope, and more is expected by year end. The overages in staffing are offset by lower than anticipated professional and consulting fees, as well as some unfilled staffing positions and unfilled shifts in some departments that resulted in savings.

While Grey Gables will be receiving \$20,817 less funding in 2019 than expected due to Ministry of Long-Term Care funding changes, as well as a Case Mix Index funding decrease, a contingency that was built into the 2019 budget will offset this loss of funding.

The capital budget for Grey Gables is anticipated to end the year on target. There were three capital projects that will be re-budgeted in 2020 due to timing issues with contractors.

- Lee Manor: Lee Manor is expected to end the year with an operating budget deficit of \$200,000. Recent Ministry of Long-Term Care funding announcements, along with the decrease of Case Mix Index Classification (CMI) funding, has resulted in an \$111,800 budget shortfall. While a contingency was built into the budget in the event of a decrease in CMI funding, this contingency did not fully cover the loss of funding for 2019.

This overall projected deficit also includes higher than anticipated staffing costs from staffing shortages, resulting in unbudgeted overtime and agency costs in the Nursing department. At September 30, 2019, Lee Manor has \$191,881 in unbudgeted overtime costs, most of which belongs to the Nursing envelope, and more is expected by year end. Some of these staffing cost overages are offset by lower than budgeted professional and consulting fees, as well as some unfilled shifts that resulted in savings.

Lee Manor's capital budget is anticipated to end the year on budget.

Rockwood Terrace: Rockwood Terrace is expected to end the year with an overall operating budget surplus of \$130,000. Despite unbudgeted overtime wages at September 30, 2019 of \$91,795, there were unfilled staffing positions and unfilled shifts in many departments that resulted in lower than planned expenses. In addition, there were lower than anticipated professional and consulting fees, as well as savings in hydro, heat and maintenance of equipment.

These savings in salaries, wages, benefits and expenditure lines were offset by recent Ministry Long-Term Care funding announcements, along with the decrease of Case Mix Index Classification (CMI) funding. In total, Rockwood Terrace received \$71,900 less in Ministry funding than expected. While a contingency was built into the budget in the event of a decrease in CMI funding, this contingency did not fully cover the loss of funding for 2019.

Rockwood Terrace's capital budget is anticipated to end the year on target. While several capital projects came in slightly under budget, an unbudgeted replacement of the water softener system will offset these savings.

- Long Term Care Redevelopment: Expenditures for consulting and legal fees totaling \$2,000 have been incurred. These expenditures will be recommended to be funded from the Long-Term Care Redevelopment Reserve.
- Transportation Services: The Transportation Services budget is projecting to end the year with a \$300,000 operating budget shortfall and a \$750,000 capital budget surplus. The operating budget deficit in Transportation Services will be funded from the surplus realized in the Capital budget.

Expenditure overages in pothole patching, brushing, pavement marking, and winter maintenance costs have resulted in a projected Ordinary Maintenance budget shortfall. Some of this shortfall has been offset by lower Engineering Supervision costs due to staffing changes. Facilities Depots, and Domes is expected to end the year with a slight deficit due to the unexpected repairs from the wind damage at the Feversham Sand/Salt Dome.

All seven of the tendered capital projects are either substantially completed or close to completion and are currently projecting a surplus of \$750,000 in total. Completion of the

Grey Road 40 pulverize and pave project has accounted for a majority of the overall surplus in the capital projects due to the Asphalt Cement price index being more stable in 2019 than in previous years and did not increase at the anticipated rate.

- Paramedic Services: This service is projected to end the year with a \$340,000 operating budget shortfall and a balanced capital budget. The 2019 budget includes a 1.5% provision for an increase to the provincial conditional grant which represents \$175,400; the funding announcement received May 7 advised that no inflationary increase would be received. In a subsequent letter, the province acknowledged that this decision did not provide enough time to plan without impacting service delivering and provided a funding increase of \$67,000. This results in a shortfall in provincial funding of \$108,407.

Based upon data to October 31, lost time hours for modified, sick etc. are within budget with vacation usage higher than the year-to-date budget; however, based upon booked time off for the remainder of the year the budget for this expenditure line should be sufficient. The collective agreement that expired December 31, 2017 was settled early 2019 with minimal impact beyond the amounts budgeted. Changes to uniform allowances will cost approximately \$14,500 above this budget line. Variances in other individual budget lines make up the remainder of the budget shortfall with the budgets for maintaining stations and the fleet expected to be adequate.

The capital budget includes the purchase of three ambulances, two emergency response units, 20 mobile WIFI units used in vehicles, the conversion cost of the community paramedicine vehicle purchased in 2018, two stretchers, 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 and equipment purchases are funded from reserve and proceeds from the sale of used equipment; as a result, the capital budget will not have a surplus at year-end.

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 \$1,415,000. This positive variance would represent a 0.91% variance as compared to the 2019 budgeted gross expenditures of \$154,672,071.

This positive variance does not incorporate the \$156,100 received specifically to cover costs related to cannabis legalization nor the one-time modernization payment of \$725,000 as this will be recommended to be transferred to reserve to be used for projects, expenditures or initiatives that come forward to Council for approval or for use in the 2020 budget.

The surplus estimated includes \$1,009,500 in omitted/supplementary taxation and tax write-offs budget and an estimated \$750,000 in surplus Transportation Services capital funding, based on all seven capital projects that have been tendered in 2019. Without the \$1,009,500 in omitted/supplementary taxation and tax-write-offs surplus, and the estimated \$750,000 in

surplus funding from Transportation Services capital budget, a projected deficit of \$344,500 would be anticipated.

Relevant Consultation

 x Internal – CAO, Directors, Managers and Finance staff

Appendices and Attachments

[Attachment to FR-CW-27-19 2019 Operating and Capital Budget Variance Analysis as of September 30, 2019](#)

[Attachment to FR-CW-27-19 2019 Financial Summary Statements as of September 30, 2019](#)