

To:	Warden Hicks and Members of Grey County Council
Committee Date:	November 28, 2019
Subject / Report No:	FR-CW-30-19
Title:	2020 Corporate Budget Overview and Background
Prepared by:	Kevin Wepler, Director of Corporate Services
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	
Status:	

Recommendation

1. **That Report FR-CW-30-19 regarding the 2020 Corporate Budget Overview and Background be received.**

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 2020 corporate budget overview and background is being presented in order that Council Members are aware of the overall 2020 funding requirements to meet the proposed budget as developed by staff.

Council and staff have historically planned budget timetables for early adoption as a best practice and a planning tool to provide an organized and efficient approach for the completion of the budget. The 2020 budget presentation has been deferred to February 7, 2020 due to the uncertainty with federal and provincial grants and subsidies, in particular with what the provincial government has previously announced, and as well what the provincial government is currently reviewing.

Background and Discussion

Budget assumptions and directions were used by Finance and other County departments in preparing the draft 2020 budget. These assumptions included such items as insurance costs, audit fees, utility and fuel costs, wages and benefits, telephone and information services costs.

The 2020 draft budget has been prepared to maintain services that support the departments' mandates, legislative requirements, and also deliver on County Council's stated priorities and expectations for service levels.

The purpose of this report is to provide information on the proposed 2020 corporate draft budget in order that Council Members are aware of the staff assessment of the 2020 funding requirements needed to meet the proposed budgets. Budgets are still being reviewed and an updated proposed budget will be presented at the Committee of the Whole budget session on February 7, 2020.

2020 Budget at a Glance

The 2020 budget as proposed by staff, and based on the most current information, contemplates an estimated net levy requirement of \$59,930,000, which is an estimated net tax levy increase of 1.46% or an increase of \$861,183 to be raised from taxation as compared to the 2019 budget, plus the estimated \$1,847,857 in 2019 new assessment growth totaling \$59,068,817.

The 2020 proposed funding requirements as summarized by Function are detailed below:

2020 Draft Budget – Net Levy Requirement

Function	2019 Net Levy	2020 Net Levy	Increase / (Decrease)	% Change
Corporate Services	\$9,953,781	\$10,400,145	\$446,364	
Planning & Community Development	\$4,688,501	\$4,827,927	\$139,426	
Social Services	\$17,009,653	\$17,869,338	\$859,685	
Transportation and Public Safety	\$25,569,025	\$26,832,590	\$1,263,565	
Funding Required	\$57,220,960	\$59,930,000	\$2,709,040	4.73%
New Assessment Growth	\$1,847,857		(\$1,847,857)	
Additional Funding to be Raised from Taxation – Net Levy Increase	\$59,068,817	\$59,930,000	\$861,183	1.46%

Assessment growth is the sum of all the changes that happened in the County's tax base during the 2019 year, including new construction, major renovations, demolitions and property value appeals. This growth is being incorporated into the 2020 budget based on MPAC's Municipal Change Profile Roll Based Edition that was published on November 13th, 2019. The 2019 assessment growth number will not be confirmed by the Municipal Property Assessment Corporation (MPAC) until December 2019, when the Assessment Roll is returned.

The funding required to be raised from taxation will be impacted if assessment growth does not meet or exceeds the estimated \$1,847,857 in taxation.

Budget Impacts, Highlights and Initiatives

Salaries and Benefits

The Ontario Government passed the Protecting a Sustainable Public Sector for Future Generations Act, 2019 on November 7, 2019. This legislation ensures public sector compensation reflects the province's current fiscal reality. This legislation sets requirements that allow for up to one per cent increases to salary and overall compensation for unionized and non-unionized employees in the public sector. This legislation does not apply to municipalities (including municipal authorities, corporations, boards or long-term care homes).

The 2020 budget has been developed proposing wages increases for the Non-Union Group and for Council.

For unionized staff, the collective bargaining process will involve the ongoing and commencing negotiations with six employee groups.

Information Services

The 2020 budget includes the final phase-in of upgrades to Information Technology, which included software licensing, network security, disaster recovery and business continuity planning.

Provincial Offences

Gross expenditures for the Provincial Offences 2020 operations are higher reflecting the enhancement to Prosecution and Legal Services of the Provincial Offences operations that were introduced in 2019.

Health Care Initiatives Funding

The 2020 budget contains \$286,100 as a transfer to reserves for Health Care Initiatives Funding. This level of funding is based on Council's approved recommendation that ½ of 1% of the County levy maximum per year be for contribution to capital projects of hospitals. The County, in advance of the 2019 budget, received delegations from the Collingwood General & Marine Hospital seeking a \$3M pledge payable over ten years, and from the Grey Bruce Health Services seeking a gift of \$400,000 over two years.

Council has appointed a Health Care Funding Roles and Responsibilities Task Force to create a Health Care Funding policy that will guide Grey County Council's decision-making regarding funding requests from health care stakeholders. The objective is to create a Health Care Funding Policy that will:

- a. Provide information regarding Grey County Health Care funding and outline rationale for where municipal funding should be allocated and the criteria for eligibility.
- b. Provide maximum annual reserve contributions.

The Task Force has begun meeting on this initiative, but no recommendations to Council on this matter have yet occurred.

Economic Development

The Regional Skills Training, Trades & Innovation Centre (Sydenham School) was acquired in 2018 and this Centre was incorporated into the 2019 budget. The 2019 year has been a startup year for the community hub (Sydenham Campus) and external scenarios have impacted the planned process of securing revenue. Tenant Rent has been adjusted for the 2020 budget year to reflect the additional time needed to renovate the building, improve building systems, introduce programming and secure tenants. The use of reserve funding is being recommended in 2020 to assist the revenue for this Centre based on the premise that the operations of the Centre will be self-sustaining.

Long Term Care

The 2019 Long Term Care operating budgets contained funding for Sienna Senior Living to provide support services with 75% of the cost of this service being funded from reserve and the remaining from taxation. Sienna Senior Living led the development of the 2019 Long Term Care budgets and proposed a budget with an overall net levy contribution that was unchanged from the 2018 approved net budget.

In May 2019, the Province announced that two funding programs, the High Wage Transition Fund and the Structural Compliance Premium were scheduled to be discontinued on August 1, 2019. This would have had a detrimental impact on the 2019 Long Term Care budgets. After hearing concerns and lobbying by associations, the Province eliminated the High Wage Transition Fund and the Structural Compliance Premium was delayed until December 31, 2020 and March 31, 2020 respectively.

Provincial funding increases were also included in the 2019 budget with budget assumptions of a 2.0% increase in funding in the Nursing and Personal Care envelope, the Program and Support Services envelope, and the Raw Food envelope, and a 1.6% anticipated increase in Other Accommodation funding. These anticipated funding increases were in line with what had been received over the past several of years. Instead, the Ministry of Long Term Care introduced a new funding formula called the Global Level of Care Subsidy of \$1.77 per diem, which equates to an increase of 1.1% in the Nursing and Personal Care envelope for each home. There were no funding increases in Program and Support Services, Raw Food or the Other Accommodation funding envelopes.

The 2019 budget also estimated Case Mix Classification funding, also known as the Case Mix Index (CMI). Long Term Care Homes complete regular resident assessments that classify residents with similar needs and acuity levels. The assessments are used by the Province to calculate the home's per diem funding for the Nursing and Personal Care envelope.

Data is submitted quarterly and combined to establish an average level of care during the reporting period. The 2019 CMI was calculated on assessments submitted between April 2017 and March 2018. The 2019 budget had estimated that the CMI funding would be as announced in 2018, however the County's CMI funding decreased in 2019 and this resulted in a decrease in funding of approximately \$113,230.

Staff have estimated provincial funding in the 2020 budget based on the 2019 funding announcements will reduce the provincial revenue estimated to be received by approximately \$476,300.

Asset Management Plan

The Transportation Services budget has requested additional funding for Construction, Resurfacing and Minor Capital. The need to increase Construction, Resurfacing and Minor Capital spending has been identified in the County's 2016 Asset Management Plan.

The County's 2016 Asset Management Plan has stated that the annual investment required for the road network, and bridges and culverts, is \$17,090,000. In 2016 annual revenue allocated to these assets for capital purposes was \$9,052,000, leaving an annual deficit of \$8,038,000. To put it another way, these assets would require a 15.2% tax change for full funding. In considering all the information in the Plan, the Plan recommended 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.

The 2020 budget includes an approximate 1% increase or \$572,200 in taxation funding in the Transportation Services – Construction, Resurfacing, and Minor Capital budget. This funding is in addition to any inflationary cost increases estimated for this budget portfolio.

Paramedic Services

The 2019 budget included a 1.5% provision for an increase to the provincial conditional grant which represented \$175,400; the funding announcement received May 7th, 2019, indicated that no inflationary increase would be received. In a subsequent letter, the province acknowledge that this decision did not provide enough time to plan without impacting service delivery and provided Grey County a funding increase of \$67,000.

The 2020 budget has been developed estimating a 2020 provincial funding increase similar to what was received in 2019.

The Grey County Community Paramedic Program began operations in January of 2015. The initial funding was provided by the Ministry of Health and Long Term Care, Home and Community Care Branch as a part of a trial to determine if community paramedics conducting non-emergency home visits could decrease health care costs and improve the health of patients living with chronic diseases.

In 2018 it was confirmed by the SWLHIN, that a full year of based funding for this program would be provided and funding for a full 12 months of services was included in the 2019 budget. The 2020 budget has been developed with the assumption that this program will receive a full year of base funding, but as of this date, the Ministry has not confirmed this funding commitment. Continuation of the program in 2020 will be contingent on the County receiving a full year of base funding.

Ontario Community Infrastructure Fund (OCIF) and Federal Gas Tax Funding

The County's OCIF formula-based funding allocation for 2019 was an allocation of \$1,249,562. The Province has stated that it will be updating the design of OCIF, including the formula to make sure funding is targeted to where it is needed most. The Province has confirmed approximately \$200 million in previously proposed OCIF formula allocations for the 2020 calendar year. Allocations for 2020 have not been confirmed and previously-proposed allocations for 2020 are subject to change pending the outcome of the program update. As of this date, the County's OCIF formula-based allocation for 2020 has not been confirmed. For the 2020 budget, staff have included OCIF funding equal to the amount that was allocated in 2019.

The Federal Government has confirmed Federal Gas Tax allocations for 2019-2023 based on the 2016 census population counts. The County of Grey is to receive in the 2020 year a total of \$2,846,449 in funding.

Assessment Growth

Assessment growth is the sum of all the changes that happened in the County's tax base during a year, including new construction, major renovations, demolitions and property value appeals. At the end of the year, all final property values are added up and compared to the original tax base. This difference is the County's assessment growth.

Based on the Municipal Property Assessment Corporation's (MPAC) Market Change Profile – Estimated Phased-In Growth report, it is estimated that the County will receive an additional \$1,847,857 in assessment growth and this additional revenue for the 2020

budget year is being used to offset the required taxation for 2020 and the loss of provincial funding that has been announced.

This assessment growth number will not be confirmed by MPAC until December 2019. The net levy increase therefore could change if the 2019 estimated assessment growth of \$1,847,857 is not realized.

Provincial Funding and Cost Sharing

In 2019, in year and future year budget impacts have been announced by the Ontario government. These include changes in program funding levels, funding formulas and changes to municipal cost sharing arrangements. The following is a summary of the changes that have been announced:

Health Unit

A new regional public health entity is to be formed comprised of Grey, Bruce, Huron, and Perth Counties governed by an autonomous board of health. The cost-sharing arrangement with municipalities will move to a 70/30 Provincial/Municipal cost share in 2020. The Province has ensured that no public health unit will experience an increase above 10 per cent of current public health costs. The Health Unit staff are proposing no budget increase for 2020 with the use of 2019 projected surplus funds and one-time mitigation funding.

Ontario Works and Employment Services

The ministry has established four pillars of focus for each Consolidated Municipal Service Manager (CMSM) to reduce the amount of time individuals access Ontario Works financial supports and reduce the frequency by which individuals return for assistance while improving service delivery for clients. Funding levels are to be tied to specific outcomes within each pillar. Ontario Works funding has been frozen at 2018 actual expenditures levels for 2019 and 2020. Staff have initiated a plan to reduce expenses in the Ontario Works budgets in order to try and meet ministry expenditures levels. As well, staff are prototyping a new model of service that meets the ministry's service delivery expectations. The ministry has confirmed in 2021 Employment Services will no longer be the responsibility of Ontario Works and life stabilization programs will be the primary focus for Ontario Works. Life stabilization focuses on improving independence and employment readiness of clients, that is readiness to participate in employment activities. In addition, a new funding model will be introduced and the Ministry has signaled a reduction in program delivery funding.

Child Care

Child Care funding changes will now be phased in over a three-year period starting in January 2020. In 2020 CMSMs are asked to cost-share Expansion Plan operating

funding at a rate of 80/20 provincial/municipal. While this cost sharing is recommended, the ministry is committing to providing the provincial allocation regardless of the CMSM's contribution. Child Care staff have not proposed to cost share this funding in the 2020 budget.

On January 1, 2021, CMSMs will be asked to cost-share Expansion Plan operating funding at a rate of 80/20 provincial/municipal and be required to cost share all administrative funding at a rate of 50/50.

On January 1, 2022, the threshold for allowable administrative funding CMSMs can spend on child care will be reduced from 10% to 5%.

Service Levels, New Initiatives and Staffing Level Changes

The 2020 budget has been developed with the costs of maintaining current programs at current service levels. The 2020 budget contains funding for resources to support corporate organizational development, resources to assist the Information Technology Department, and resources for Long Term Care operations. These and any other staffing level changes and/or service level enhancements have been or will be reported to Council for their review and consideration

Capital

The first year of the 2020-2029 Ten Year Capital Forecast has been used as the basis for the 2020 annual budget. Staff have reviewed these capital projects and have updated the 2020 budget requests based on resource availability, inflationary adjustments, carry forward of projects that were not undertaken in 2019, or new capital projects that have been identified since the Ten-Year Capital Forecast was presented.

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) An upper-tier municipality shall in each year prepare and adopt a budget including estimates of all sums required during the year for the purposes of the upper-tier municipality.

Financial and Resource Implications

The proposed budgets as developed by staff, and based on the most current information, will require an additional \$2,709,040 to be raised from taxation or an estimated levy increase of 4.73%. This 2020 budgetary levy increase has been estimated to be assisted with an additional \$1,847,857 in new 2019 assessment growth.

This would then equate to a 2020 net budgetary levy increase of 1.46% to be raised from taxation.

In order to realize an overall net levy increase of less than 1.46%, further budgetary reductions and/or the use of one-time funding sources will be required.

This estimated net levy increase of 1.46%, could change if the 2019 estimated assessment growth of \$1,847,857 is not realized. For Council's information a 1% levy increase equals approximately \$590,688.

Relevant Consultation

Internal CAO, Senior Management Team, Managers and Finance Staff

Appendices and Attachments

None