

Report FR-CC-06-15

To: Warden Eccles and Members of County Council
From: Kevin Wepler, Director of Finance
Meeting Date: January 6, 2015
Subject: **2015 Corporate Budget Overview and Background**
Status: Recommendation adopted by County Council as presented per Resolution CC20-15 January 6, 2015;

Recommendation(s)

THAT Report FR-CC-06-15 regarding the 2015 Corporate Budget Overview and Background be received.

Background

The 2015 budget process began in July 2014 when staff was provided with guidelines and budget assumptions. Staff has developed budgets that maintain services that support the departments' mandates, the legislative requirements, and also delivers on County Council's stated priorities and expectations for levels of service.

Departmental budget reviews were held in July and August. These draft budgets were then reviewed with the Acting CAO and the Director of Finance and will be provided to each Standing Committee for their review and to make required amendments before referring to County Council for final approval.

The purpose of this report is to provide information on the 2015 proposed Corporate budget in order that each Standing Committee is aware of the overall 2015 funding requirements that are needed to meet the draft budgets developed by staff and then recommended to the applicable Standing Committee.

2015 Budget at a Glance

The 2015 budget as proposed by staff, contemplates a net levy requirement of \$51,654,084, which is an estimated tax decrease of 1.56% or a decrease of \$817,652 to be raised from taxation.

Services and Funding:

Committee/Function	2014 Net Levy	2015 Net Levy	Increase / Decrease	% Change
Corporate Services	\$8,008,669	\$8,925,517	\$916,848	
Planning & Community Development	\$3,805,305	\$4,262,480	\$457,175	
Social Services	\$16,351,318	\$16,582,461	\$231,143	
Transportation & Public Safety	\$21,519,845	\$21,883,626	\$363,781	
Stable Funding – Corporate Capital	\$2,323,236	\$2,323,236	\$0	
Funding Required	\$52,008,373	\$53,977,320	\$1,968,947	3.79%
New Assessment Growth	\$463,363		(\$463,363)	
Total Funding Required	\$52,471,736	\$53,977,320	\$1,505,584	2.87%
Less: Stable Funding – Corporate Capital		(\$2,323,236)	(\$2,323,236)	
Additional Funding to be Raised from Taxation – Tax Rate Decrease	\$52,471,736	\$51,654,084	(\$817,652)	-1.56%

The additional property tax revenue as a result of new construction often referred to as assessment growth, is being incorporated into the 2015 budget based on the Municipal Property Assessment Corporation's returned roll for 2014. The 2014 assessment growth number will provide an additional \$463,363 in tax revenue to assist the 2015 budget.

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 the 2015 premium rates for the Workers' Compensation budget, which is a self-insured plan, have been decreased corporate wide by 25% to reflect the lower claim costs the County has experienced over the past six years. This has resulted in a budget reduction of approximately \$177,153.

Also completed in 2014 was a compensation review for the non-union employee group at the County of Grey. This included a market survey based on 11 municipal comparators approved by Council. Market statistics (based on 5 or more job matches) were calculated for 66 positions to determine the County positions' competitiveness to the market. The market analysis indicated that the market average wage rates for similar municipalities and similar positions to the County of Grey were 5.8% above the County's wage rates, with the market median at 5.4% above the County's wage rates. The estimated cost of implementing the consultant's recommendations, which were approved by Council, regarding adjustments necessary to maintain the County's non-union salary grid competitive position with 45th and 55th percentile of comparator municipalities was estimated to be a budgetary increase of \$192,325.

Contract increases for each of the employee groups, which have either been previously negotiated or will be expiring in 2015, have been estimated and have been included in the 2015 draft budgets.

Health Care, travel and dental coverage was transferred to Sun Life Financial effective May 1, 2013 at a projected savings for the County of 8.6% or \$241,538 over the 20 month rate guarantee period. The January 1, 2015 renewal, based on the County's claim history, has resulted in premium rate adjustments for these benefits. The overall premium proposed for the County of Grey has resulted in an adjustment +18% or a change in annual premium of approximately \$504,853.

In order to reduce the future tax burden on local municipalities, as the phase-down of the Ontario Municipal Partnership Funding continues, the following actions have been included in the 2015 budget for Council's consideration:

- A reduction of \$2,323,236 in taxation with the removal of the transfer to reserve for future capital.
- Utilize the 2015 budget savings realized as a result of the upload of social services costs to reduce the County's budgeted levy requirements.
- Distribute \$2,825,743 or 50% of the \$5,651,486 in provincial social services uploaded savings that has been placed in the County's Future Infrastructure Reserve to each local municipality based on assessment values that the County utilizes to calculate taxation. This will place funds back into the hands of local municipalities to provide funding for projects that may have not been undertaken, as projects may have been delayed or removed from local budget plans to accommodate the loss in Ontario Municipal Partnership Funding. The recommendation of allocating 50% of these reserve funds would also then provide future County budgets with infrastructure funding to aid its infrastructure deficit and to assist in transitioning budgetary capital increases that are required as per the County's Asset Management Plan.

There are many other items impacting the 2015 budget and these are identified in the staff budget reports to each of the Standing Committees along with detailed budget packages for Committees' review and consideration.

Service Levels, New Initiatives and Staffing Level Changes

The 2015 budget has been developed with the cost of maintaining current programs at current service levels. Any staffing level changes and/or service level enhancements are to be reported in the 2015 Departmental budget overviews that are to be provided to each of the Standing Committees for their review and consideration.

Those new initiatives and staffing level changes that have been identified in the 2015 operating and capital budgets have also been detailed below.

New Initiatives:

Function/Initiative	Gross Expenditure	Net Levy Impact	Other Sources of Funding
Property – Administration Bldg. – Future Building Expansion	\$125,000	\$125,000	
Georgian College – Marine Emergency Duties Training Centre	\$200,000	\$200,000	
SWIFT (South Western Integrated Fibre Technology) Network Initiative	\$216,000	\$216,000	
Economic Development – Funding for the implementation of Economic Development Action Plan	\$50,000	\$50,000	
Coordinated Transportation Strategy	\$30,000	\$0	Ontario Works Caseload Reserve
Paramedic Services – Upstaffing Craigeith Station to 24/7 service	\$231,720	\$115,860	Paramedic Services Operating Reserve – In anticipation of Ministry 50/50 cost sharing in 2016
Source Water Protection	\$220,729	\$0	Provincial and Partner Funding
Paramedicine	\$202,245	\$0	Provincial Funding
Grant-In-Lieu for Affordable Housing Projects	\$50,000	\$0	One-Time Funding Reserve
Total – New Initiatives	\$1,325,694	\$706,860	

Staffing Level Changes (Wage and Benefit cost increases/decreases):

Department/Function	Position	Full Time Equivalent	Gross Cost	Net Cost
Emergency/Management	Part-time staff	0.26	\$12,416	\$12,416
Information Technology	Student	0.33	\$11,304	\$11,304
Human Resources	HR Coordinator – Labour	1.00	\$86,313	\$86,313
Provincial Offences	Collections Officer	(1.00)	(\$72,066)	(\$43,182)
Provincial Offences	Court Services Clerk	(1.00)	(\$72,066)	(\$43,182)
Social Services – Ontario Works	Contract Caseworker	1.00	\$64,237	\$0
Long Term Care – Grey Gables	Scheduler	0.16	\$10,843	\$10,843
Paramedic Services	Paramedics	2.09	\$231,720	\$115,860
Total – Staffing Enhancements		2.84	\$272,701	\$150,372

Potential Risks

Staff believes these proposed budgets to be prudent and responsible. In saying this, there are some risks assumed in these budgets which could possibly impact the organization if budget assumptions are incorrect. Some of these are as follows:

- Pay Equity – The County and Ontario Public Service Employees Union, representing employees in the Social Services department, reached a new Collective Agreement for the duration of January 1, 2013 to December 31, 2014.

There remains one outstanding item of dispute between the two parties surrounding the January 2013 wages for employees in Grade 4. The union feels that the Pay Equity increase received in 2013 for these members should be in addition to a negotiated increase for the same period. It is the County's opinion that Pay Equity requires an employer to maintain wage parity between female job classes and their male comparator and County has done so when Grade 4 employees received a 2% increase at the time their non-union male comparators received their increase. The Memorandum of Agreement set out that this area of dispute will be referred to the Pay Equity Commission for review. As of this date no decision has been made by the Pay Equity Commission on this item. If the County is required by the Pay Equity Commission to provide additional increases to this group, this will impact the 2015 budget.

- Provincial Funding increases – Budgets for 2015 have been developed incorporating Provincial funding increases based on historical information and/or Ministry memorandums. For example, the Paramedic Services budget has been drafted based on the 2014 approved operating budget with a 1% inflationary increase to be cost shared 50:50 with the Ministry of Health. If the Province does not provide inflationary increases or make changes to any funding formulas, such as the Long Term Care Case Mix Index, etc., these could have an impact on 2015 budgets.
- The Asset Management Plan for the County of Grey has now been completed and meets all requirements as outlined within the provincial *Building Together Guide for Municipal Asset Management Plans*. According to the plan, the average annual investment requirement for paved roads, bridges and culverts, and social housing is \$23,353,000. According to this Plan, these infrastructure categories are currently funded at 40% of their long-term requirements. Without consideration of any other sources of revenue, full funding would require a combined increase of 27.3% over time. This would equate to increasing tax revenues by 1.8% each year for the next 15 years.
- The County has also undertaken a Transportation Master Plan, which is a strategic plan to direct policies and infrastructure initiatives in Grey County. This draft plan contains a number of recommendations and should Council approval all or part of the recommendations contained in this draft plan, there may be the need for additional funding.

Financial / Staffing / Legal / Information Technology

Considerations

The proposed budgets as developed by staff and recommended to the applicable Standing Committees will require a decrease of \$817,652 to be raised from taxation or an estimated tax decrease of 1.56%.

This report has been drafted to provide information to each Standing Committee in order that they are aware of the 2015 funding requirements and the impact of each of the proposed budgets under their direction and control has on the overall budget.

Staff look forward to these proposed budgets being reviewed and would appreciate any direction as to where staff could consider any possible changes.

Link to Strategic Goals / Priorities

Communication is a key value to the County's Strategic Plan. This report provides information to Council in regards to the County's 2015 budget, funding requirements, service levels, new initiatives, staffing level changes and potential risks.

Respectfully submitted by,

Kevin Wepler
Director of Finance