



Committee Report

Report FR-CS-07-15

To: Chair and Members of the Corporate Services Committee
From: Kevin Wepler, Director of Finance
Meeting Date: January 13, 2015
Subject: **Corporate Services Financial Report and Treatment of Year-End Surplus/(Deficit) Positions**
Status: Recommendation adopted by Committee as presented per Resolution CS13-15; Endorsed by County Council February 3, 2015 per Resolution CC36-15;

Recommendation(s)

THAT Report FR-CS-07-15 regarding the Corporate Services Financial Report and the Treatment of Year-End Surplus/(Deficit) Positions be received;

AND THAT any function under the control of the Corporate Services Committee ending the year with a deficit be funded from those Corporate Services Departmental budget functions ending the year with a surplus;

AND THAT the \$35,000 included in the 2014 Property Administration Building Capital budget to paint the exterior of the Administration building and balcony decks, now scheduled for completion in 2015, be transferred to reserve for use in the 2015 budget;

AND THAT \$50,000 in surplus funds be transferred to the Information Services Reserve to assist with future funding requirements for the upgrade or replacement of the corporate records management software;

AND FINALLY THAT any remaining surplus be transferred to the One-Time Funding Reserve to fund any 2014 operating budget deficits for the Grey County Housing operations.

Background

The purpose of this report is to provide members of the Corporate Services Committee with a financial update for those budgets under the direction of the Committee based upon financial statements as of November 30, 2014 with projections to year-end.

Summary

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.

The following table summarizes the projected year-end surplus or deficit that have been estimated by each Department and that are detailed further in this report. Some preliminary year-end projections have been included for supplementary taxation and tax write-offs, but these are only estimates at this time.

Summary of Projected Corporate Services Year-End Surplus / (Deficit)

Departmental Budget	Projected Year-End Surplus / (Deficit)
Council	\$20,000
Administration (Gen. Admin., CAO, Clerk, HR, IT and Finance)	\$212,000
Information Services	\$6,000
Workers’ Compensation & Weekly Indemnity	\$271,000
Assessment	(\$1,000)
Provincial Offences	(\$200,000)
Property (Administration, G&B House and POA Building)	\$18,000
Health Unit	(\$37,000)
Supplementary Taxation & Write-Off’s	\$23,000
Total	\$312,000

Council

A review of the actual to budget, as at the end of November, projects that this budget will end the year with a surplus of approximately \$20,000. While salaries and benefits are exceeding 2014 budget amounts, this over expenditure is being offset with lower travel and meal expenses.

Administration (includes General Administration, CAO, Clerks, HR, IT and Finance)

A review of the Administration budgets to the end of November, anticipates these combined budgets will have a year-end surplus of approximately \$212,000.

The largest contributing factor for this projected surplus is the General Administration budget with investment income providing a projected \$112,000 in surplus funds. Investment income is higher due to some modest fund balances being higher than anticipated along with some investments being made in term deposits with higher yields of return.

The financial impact of the non-union grid adjustment, along with staffing reorganization costs in the Administration departmental budgets, have been offset by savings as a result of a staff secondment, staff vacancies, staff training, legal and higher than anticipated investment income.

Information Services

The Information Services 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 funds to keep the Information Technology staffs' knowledge current with new network developments. This budget is funded by an interfunctional charge to each department.

This budget is anticipated to end the year with a surplus of \$6,000. This projection includes the transferring of \$50,000 in funds to reserve for the future upgrade/replacement of the County's records management software. The 2014 budget, in error, included Oracle software maintenance fees to maintain the corporation's records management software. However, in 2013 the IT Department recommended that the County discontinue renewing this maintenance agreement and that these savings be transferred to a reserve in order to provide future funding for the upgrade/replacement of this software.

Workers' Compensation (WSIB) and Weekly Indemnity

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 to pay the costs to administer these self-insured plans.

The County of Grey is a Schedule 2 Employer and therefore calculates its own WSIB premium rates that are then assessed to each of the various departments. The County, as was experienced in 2013, is experiencing lower claim costs than anticipated to-date for the 2014 budget year. If claim costs continue at the current level, the 2014 Workers' Compensation budget is projected to end the year with a surplus of \$286,000.

In 2013 the County contracted a qualified consultant to provide actuarial consulting services to perform actuarial valuations of the liabilities for the County's post-employment benefits obligations and the County's Workers' Compensation.

Along with performing all actuarial valuations, the consultant was contracted to provide a recommendation on the appropriate internal charge out rates for WSIB purposes, in order to provide an opinion on the County's current WSIB reserve fund balances and insurance level coverage. The consultant has confirmed that a very dramatic

improvement in the County's Health and Safety and WSIB experience has occurred over the past number of years. Based on the consultant's review and recommendations on the County's premium rates and reserve level, County staff intends to lower premium rates in the 2015 budget by 25 percent and remove the reserve transfer amount.

The 2014 Weekly Indemnity budget is however, experiencing a slightly higher number of claims than what had been budgeted for 2014. In addition, at the end of 2013, the Canada Revenue Agency advised that disability payments that are not paid by an insurance company are pensionable and insurable, and therefore, requires Canada Pension Plan and Employment Insurance premium deductions. This was not known at the time that the 2014 budget was prepared. If the number and length of Short Term Disability (STD) claims continue at the level that is currently being experienced, a deficit of \$15,000 is anticipated.

Assessment

The County pays for the cost of the services of the Municipal Property Assessment Corporation (MPAC) on behalf of all municipalities in the County. An estimated budget increase of 0.23% was provided in the 2014 budget. The actual costs for 2014, which have now been calculated and provided by MPAC, show the annual cost payable for 2014 to be \$1,793,839 or an increase of 0.28%. This increase will cause a small year-end deficit of approximately \$1,000.

Provincial Offences

An analysis of the Provincial Offences budget projects that this budget will end the year with a deficit of approximately \$200,000. Revenues as of the end of November are \$651,997 lower than what had been received in the same period in 2013.

As previously reported, there has been a significant decrease in Part I ticket volumes. The reason for this drop in volumes is unknown. It has been assumed that January volumes were down due to severe weather, road closures and obvious need for police to deal with related issues; however the downward trend that began in September 2013, and as detailed in the [POA Part 1 Stats Chart](#), has not changed.

Some expenditures, which are associated with the decline in ticket volumes, are also lower, such as Victim Fine Surcharge, Judicial and Prosecution costs, other costs such as, building rental, information services costs, etc. are not. Based on a review of the financial statements to the end of November, it is being projected that the POA budget will end the year with a deficit of approximately \$200,000. Staff has reduced costs where possible and where staff vacancies have occurred, these staff positions have been left vacant, with the work being re-assigned to existing staff members.

Predicting the financial future of the POA budget is not easy as the County has no control over the volume of tickets that are issued.

Property (Administration, G&B House, and POA building)

It is anticipated that the combined Property budgets will have a small surplus of approximately \$18,000 at year-end. Savings in the budgets for snow removal, salaries and benefits and contract cleaning are expected to total \$27,800. This has been offset by higher costs for hydro; at the end of 2013 the last hydro invoice received for the Administration and POA buildings was for the period ending July 2, 2013. An amount was accrued for the balance of the 2013 year and when the invoices were received in November 2014, the actual costs were \$9,500 higher than estimated.

The capital budget included \$35,000 for the painting of the exterior of the Administration Building and balcony decks; this work was not completed in 2014 and staff requests that the funds be transferred to reserve for use in the 2015 budget.

Health Unit

The County on November 17, 2014, received confirmation from the Grey Bruce Health Unit that it has received its 2014 budget approval from the ministry. Based on the funding approved by the Ministry, the County's 2014 budget estimate will result in a deficit of \$37,000. This deficit is primarily as a result of population cost sharing percentages that were used to estimate the 2014 funding requirements.

Supplementary Taxation and Tax Write-Offs

Some preliminary year-end projections have been included for supplementary taxation and tax write-offs, but these are only estimates at this time. Based on preliminary estimates that have been provided by local municipal staff, it is estimated that this budget will end the year with a surplus of approximately \$23,000.

Financial / Staffing / Legal / Information Technology Considerations

A review of the actual to budget, as at the end of November, projects that these budgets under the direction of the Corporate Services Committee will end the year with a surplus of approximately \$312,000.

Staff has recommended that this projected surplus be used to fund any function under the control of the Corporate Services Committee ending the year with a deficit.

As well, in order to avoid the use of capital reserves to offset operating deficits in the Grey County Housing operations, staff is recommending that any remaining surplus of

those functions under the control of the Corporate Services Committee be transferred to the One-Time Funding Reserve to fund any 2014 operating budget deficits realized by the Grey County Housing operations.

Link to Strategic Goals / Priorities

The analysis of current financial statements compared to the approved budget is a key mechanism to ensure Council's goals of ensuring financial stability and ongoing public accountability are maintained.

Respectfully submitted by,

Kevin Wepler
Director of Finance