

## Report FR-CS-25-14

**To:** Chair Pringle and Members of the Corporate Services Committee  
**From:** Kevin Wepler, Director of Finance  
**Meeting Date:** July 15, 2014  
**Subject:** **Corporate Services Financial Update and Year-End Projection as of May 31, 2014**  
**Status:** Recommendation adopted by Committee as presented per Resolution CS72-14; Endorsed by County Council August 5, 2014 per Resolution CC111-14;

### Recommendation(s)

**THAT the Corporate Services Committee receive Report FR-CS-25-14 regarding a Financial Update and Year-End Projection as of May 31, 2014 for those budgets under the direction of the Corporate Services Committee.**

### 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 May 31, 2014.

### *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. No year-end projection has been included for supplementary taxation and tax write-offs at this time.

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

<b>Departmental Budget</b>	<b>Projected Year-End Surplus / (Deficit)</b>
Council	\$0
Administration (Gen. Admin., CAO, Clerk, HR, IT and Finance)	\$25,000
Information Services	\$0
Workers Compensation & Weekly Indemnity	\$275,000
Assessment	(\$1,000)
Provincial Offences	(\$300,000)
Property (Administration, G&B House and POA Building)	\$0
Health Unit	(\$54,000)
Supplementary Taxation & Write-Off's	\$0
<b>Total</b>	<b>(\$55,000)</b>

*Council*

A review of the actual to budget, as at the end of May, indicates a balanced budget is anticipated.

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

A review of the Administration budgets to the end of May, anticipates these combined budgets will have a year-end surplus of approximately \$25,000.

The largest contributing factor for this projected surplus is the General Administration budget with investment income providing a projected \$60,000 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, 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 be on target at year-end.

## *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 \$300,000.

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, to provide an opinion on the County's current WSIB reserve fund balances and insurance level coverage. It is anticipated that the consultant will be providing this information to staff in July and then this information will then be provided to the Corporate Services Committee for their information.

The 2014 Weekly Indemnity budget is however, experiencing a higher number of claims than what had been budgeted for 2014. If the number and length of Short Term Disability (STD) claims continue at the level that is currently being experienced, a deficit of \$25,000 is anticipated. If a year-end deficit is realized, this shortfall could be covered off by allocating funds from the Weekly Indemnity reserve.

## *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*

As reported in [CCR-CS-15-14 - Provincial Offences Court update.docx](#), 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 has not changed. Part I ticket volumes for January-May of 2014 as compared to the same period for 2013 are down in volume by over 3,000 tickets. Revenues as of the end of May are \$377,217 lower than what had been received in the same period in 2013.

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 salaries, building rental, information services costs, etc. are not. Based on a review of the financial statements to the end of May, it is being projected that the POA budget will end the year with a deficit of approximately \$300,000.

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. Staff is still optimistic that ticket volumes will return to levels similar to previous years, but with volumes down so significantly for the first 5 months of 2014, it is not anticipated that 2014 revenue projections can be realized.

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

It is anticipated that the combined Property budgets will be sufficient to year-end. The only unknown factor that may have a budget impact is the cost of hydro; the last 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. If the amount accrued for 2013 was insufficient, and if hydro costs for 2014 exceed budget, this has the potential to create a budget shortfall. At this time, staff has no reason to believe that this will be an issue.

## *Health Unit*

The Grey Bruce Health Unit has finalized its audit for the year ending December 31, 2013. The 2013 surplus payable to the County of Grey is \$96,497. This surplus is being recommended in Report FR-CS-23-14 to the Corporate Services Committee that this \$96,497 be transferred to the County of Grey's Health Unit reserve.

An estimated 2% budget increase based on the Health Unit's 2014 Ministry of Health's approved funding was used to calculate the County of Grey's 2014 cost sharing amount of \$1,694,243. Based on the Health Unit's 2014 budget, as endorsed by the Board of Health, an overall increase of 2.87% was approved. This increase along with the increase in Grey County's cost share percentage as a result of population increases has resulted in a projected deficit of \$54,000.

The County has yet to receive confirmation from the Grey Bruce Health Unit that it has received its 2014 budget approval from the Ministry. Until the Health Unit confirms its Ministry approved budget for 2014, this financial projection may be subject to change.

## *Supplementary Taxation and Tax Write-Offs*

No year-end position has been projected for supplementary taxation and write-offs. These tax adjustments will not be known until later in the year when supplementary taxation and write-off estimates are provided to the County by local municipal staff.

## Financial / Staffing / Legal / Information Technology

### Considerations

A review of the actual to budget, as at the end of May, projects that these budgets under the direction of the Corporate Services Committee will end the year with a deficit of approximately \$55,000.

Staff will continue to monitor financial statements and will provide an update to these year-end projections to Standing Committees later in the 2014 calendar year.

### 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