

Report FR-CS-08-16

To: Chair and Members of the Corporate Services Committee
From: Kevin Wepler, Director of Finance
Meeting Date: January 12, 2016
Subject: **Corporate Services Financial Report and Treatment of Year-End Surplus/ (Deficit) Positions**
Status: Recommendation adopted by Committee as presented per Resolution CS11-16; Endorsed by County Council February 2, 2016 per Resolution CC24-16;

Recommendation(s)

THAT Report FR-CS-08-16 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 following outstanding 2015 budgeted capital projects be included in the 2016 budgeted capital program and the funds for these projects, where applicable, be transferred to the respective reserve(s) for use in the 2016 budget as follows:

- **\$29,164 for Corporate website redevelopment (transfer to reserve)**
- **\$42,000 for replacement of heating, ventilation and air conditioning (HVAC) units in the County Administration Building (transfer to reserve)**
- **\$20,000 for installation of humidifiers in County Administration Building (transfer to reserve)**
- **\$10,000 for panic system upgrades in the County Administration Building (budgeted from reserve in 2015)**

AND THAT any surplus funds generated from the Provincial Offences budget be transferred to the Administration/POA Building Reserve;

AND FINALLY THAT any remaining surplus be transferred to the One-Time Funding Reserve to fund any 2015 operating budget deficits within the Grey

County Housing, Long Term Care, and Paramedic Services operations, and for any future one-time funding requirements.

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 October 31, 2015 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. These financial projections do not vary greatly from what had been previously reported to the Corporate Services Committee on November 10, 2015 in report FR-CS-39-15.

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

Departmental Budget	Projected Year-End Surplus / (Deficit)
Council	\$5,000
Administration (Gen. Admin., CAO, Clerk, HR, IT and Finance)	\$210,000
Information Services	\$0
Workers' Compensation & Weekly Indemnity	\$210,000
Assessment	\$0
Provincial Offences	\$88,000
Property (Administration, G&B House and POA Building)	\$29,000
Health Unit	(\$18,000)
Supplementary Taxation & Write-Off's	(\$160,000)
Total	\$364,000

Council

A review of the actual to budget, as at the end of October, indicates a small surplus of \$5,000 is anticipated.

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

A review of the Administration budgets to the end of October, anticipates these combined budgets will have a projected year-end surplus of approximately \$210,000.

Contributing factors to this projected surplus is a result of the 2015 budget for the Chief Administrative Officer (CAO), Human Resources and Information Technology (IT) Departments containing funding for staff positions that have just recently been recruited. A year-end surplus of approximately \$142,500 has been projected at this time.

Other items contributing to this projected surplus is investment income being higher than budgeted by an estimated \$25,000 due to some modest fund balances being greater than anticipated, along with some investments being made in term deposits, Guaranteed Investment Certificates (GIC's) and Local Authority Services (LAS) bond funds with higher yields of return than had been budgeted.

Legal fees, corporate management training expenses, payments to individuals and organizations (Children's Water Festival) are projected to be less than budgeted and are estimated to contribute \$44,500 to this overall projected surplus.

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 on budget.

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. 2015 premium rates for the Workers' Compensation budget were decreased corporate wide by 25% to reflect the lower claim costs the County has experienced over the past number of years. For 2015, even with the reduction made to the 2015 budget, the County is experiencing lower claim costs than anticipated to-date for the 2015 budget

year. If claim costs continue at the current level, the 2015 Workers' Compensation budget is projected to end the year with a surplus of \$200,000.

A review of the 2015 Weekly Indemnity budget, as at the end of October, indicates a small surplus of approximately \$10,000 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. This budget will end the year on budget as MPAC had provided the 2015 annual property assessment services and support services cost estimate prior to the 2015 budget being finalized.

Provincial Offences

An analysis of the Provincial Offences budget as of the end of October, projects that this budget will end the year with a surplus of approximately \$88,000. Contributing to this surplus is wages and benefits expenditures which are underspent by \$13,000 as a result of a staff leave that has occurred.

This projection has not changed from the previous projection contained in report FR-CS-39-15, as information pertaining to expenses incurred and payable to the province for November and December have yet to be received.

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

It is anticipated that the combined Property budgets will provide a surplus totaling \$29,000 at year-end. This is attributable to a staff leave and lower maintenance and contract costs for the Administration Building than budgeted.

There are four 2015 capital projects budgeted for the Administration Building (panic system upgrades, replacement of heating, ventilation and air conditioning (HVAC) units, installation of humidifiers, painting of exterior and balcony decks); and these projects will be deferred to 2016. If the proposed addition and renovation to the existing County Administration Building is approved and proceeds, the replacement of HVAC units, installation of humidifiers, the painting of exterior and balcony decks, and the panic system upgrades will be considered as part of this addition and renovation.

The capital budget for the Administration Building has also incurred unbudgeted professional and consulting fees for architect services. On April 7, 2015 County Council endorsed a resolution that The Ventin Group be approved to proceed with the completion of detailed construction drawings for the proposed addition and renovation to the Administration Building. These unbudgeted expenditures are to be funded

through a transfer from the Administration/POA Building Expansion Reserve and will not have a financial impact to the 2015 budget.

Health Unit

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 2015 cost sharing amount. Based on the Health Unit's budget, as endorsed by the Board of Health, a budget amount payable to the Grey Bruce Health Unit of \$1,765,283 was provided for in the 2015 budget.

In September, the Health Unit received its 2015 budget approval from the Ministry of Health. The 2015 budget as approved by the Ministry of Health is based on the Ministry's new Public Health Funding Model for Mandatory Programs. This funding model utilizes an Equity Adjusted Population Model which has two groups of equity factors and associated indicators. This Equity Adjusted Population Model is based on Service Cost Drivers and Drivers of Need which are combined to create a unique Equity Adjustment Factor for each health unit.

The funding implication that this has on the 2015 Health Unit's approved budget is that the Ministry has calculated that the Grey Bruce Health Unit is being overfunded and therefore any future growth in the public health envelope will go to those health units who are underfunded. The Grey Bruce Health Unit's 2015 budget for mandatory cost shared programs was therefore approved by the Ministry of Health with a 0% increase.

The Grey Bruce Health Unit, as part of their Ministry of Health budget approval notice, did receive approval for one-time funding for an Enterprise Resource Planning system. This one-time funding requires Grey County to cost share in this approved budget amount of \$299,067, with Grey County's cost share amount equaling \$44,798.

Based on this Ministry of Health approved 2015 budget, and the approved one-time funding, a deficit of \$18,000 is anticipated.

Health Care and Other Funding Initiatives

The 2015 budget provided funding for payments and/or transfers to reserve for Health Care and Educational initiatives, such as the Centre Grey Hospital Campaign, the Grey Bruce Health Services Campaign and the Marine Emergency Duties Training Centre at Georgian College. Funding provided in the budget will be sufficient for 2015 with payments and transfers being allocated as approved.

Supplementary Taxation and Tax Write-Offs

The anticipated year-end projection for supplementary taxation and tax write-offs is a deficit of \$160,000. Contributing to this projected deficit is a large number of outstanding appeals that the Assessment Review Board has now cleared up and settled. This projection is based on estimates that have been provided by local municipal staff.

Financial / Staffing / Legal / Information Technology

Considerations

A review of the actual to budget, as at the end of October, projects that these budgets under the direction of the Corporate Services Committee will end the year with a surplus of approximately \$364,000.

Staff is recommending the transfer to reserve for those 2015 capital projects that have been deferred to 2016. These deferred capital projects, relating to the County Administration Building, will not proceed until a decision has been made in regards to the proposed addition and renovation to the existing County Administration Building.

Staff is also recommending that the surplus generated from the Provincial Offences operations be transferred to the Administration/POA Building Reserve to provide funding for any future building/renovation that may be approved.

And finally, staff is recommending that any remaining surplus be transferred to the One-Time Funding Reserve to fund any 2015 operating budget deficits within the Grey County Housing, Long Term Care, and Paramedic Services operations, with these deficits being projected to equal \$233,000. Once these operating shortfalls have been funded, any remaining surplus will then be available for future one-time funding requirements.

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.

Attachments:

[Attachment to FR-CS-08-16 Corporate Services Financial Report and Treatment of Year End Surplus Deficit Positions](#)

Respectfully submitted by,

Kevin Wepler
Director of Finance