



Committee Report

Report FR-CS-40-14

To: Chair Pringle and Members of the Corporate Services Committee
From: Kevin Wepler, Director of Finance
Meeting Date: November 19, 2014
Subject: **Corporate Financial Update and Year-End Projection as of September 30, 2014**
Status: Recommendation adopted by Committee as presented per Resolution CS92-14 November 19, 2014; Endorsed by County Council November 25, 2014 per Resolution CC165-14;

Recommendation(s)

THAT Report FR-CS-40-14 regarding the Corporate Financial Update and Year-End Projection as of September 30, 2014 be received.

Background

The purpose of this report is to provide members of the Corporate Services Committee and County Council with a corporate financial update and year-end projection as of September 30, 2014 on a Committee/Departmental basis. The information contained in this report has been assembled with the assistance of each department.

Each department reviews their actual to budget figures and projects a year-end position by estimating results still to happen, and these adjustments have been incorporated into each department's projections in this report. Financial projections have been provided to each Standing Committee for those departmental budgets under their direction. The following table summarizes the corporate projected year-end surpluses or deficits that have been estimated by each Department. Highlights of these surpluses or deficits are detailed further in the report.

Summary of Projected Standing Committee Year-End Surplus / (Deficit)

Committee	Projected Year-End Surplus / (Deficit)
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Committee	Projected Year-End Surplus / (Deficit)
Corporate Services	\$219,200
Planning and Community Development	(\$64,000)
Social Services	\$130,500
Transportation & Public Safety	(\$600)
Total	\$285,100

Corporate Services Committee

A review of the actual to budget as of the end of September indicates that those budgets under the direction of the Corporate Services Committee will end the year with a projected surplus of \$219,200. This projected surplus, at this time, does include some preliminary year-end projections for supplementary taxation and tax write-offs, but these are only estimates at this time. The following are some of the items that are impacting these Corporate Services budgets:

- The Council budget, as at the end of September, projects that this budget will end the year with a surplus of approximately \$30,000. While salaries and benefits are exceeding 2014 budget amounts, this over expenditure is being offset with lower travel and meal expenses and conference costs.
- A review of the Administration budgets to the end of the September anticipates these combined budgets will have a year-end surplus of approximately \$177,000. This projected surplus is a result of 2014 General Administration budget for investment income providing a projected \$110,000 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. This higher investment income, along with savings resulting from a staff secondment, staff vacancies, staff training and legal costs, have helped offset the financial impact of the non-union grid adjustment and staffing reorganization costs.
- The County is experiencing lower Workers' Compensation claim costs than anticipated to-date for the 2014 budget year. As reported previously, claim costs being experienced are lower 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. Based on a consultant's report provided to the County in 2014 as part of the consultant's work in providing actuarial services, County staff intends to lower premium rates in the 2015 budget and remove the reserve transfer amount.
- Provincial Offences budget is projecting a year-end deficit of \$200,000. As previously reported, there has been a significant decrease in Part 1 ticket

volume. 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 the obvious need for police to deal with these related issues. However, the downward trend that began in September 2013 has not changed. Part 1 ticket volumes for January-September of 2014 as compared to the same period for 2013 are down in volume by over 4,000 tickets. Revenues as of the end of September are \$675,749 lower than what been received in the same period in 2013.

- The Health Unit's budget is projected to end the year with a deficit of \$54,000. An estimated 2% budget increase based on the Health Unit's 2013 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 this projected deficit of \$54,000. As of October 20, 2014 the Grey Bruce Health Unit has yet to receive its 2014 budget approval from the Ministry of Health. Until the Health Unit confirms its Ministry approved budget for 2014, this financial projection may be subject to change.
- Based on preliminary estimates for supplementary taxation and write-offs that have been provided by local municipal staff, it is anticipated that this budget will end the year with a deficit of approximately \$37,800.

Planning and Community Development Committee

Those budgets under the direction of the Planning and Community Development Committee are anticipated to end the year with a deficit of \$64,000. The following are some of the items contributing to this deficit:

- The Planning Operating budget is projected to have a deficit of \$30,000. This is partially due to the non-union grid adjustment implemented on July 1, 2014 and less than anticipated application revenue.
- The Agriculture budget is currently projected to have a surplus of approximately \$20,000. This is primarily due to the beaver and coyote claims being lower than the budgeted amount.
- The Grey Roots operating budget is projected to end the year with a deficit of \$64,000. The primary drivers of the deficit are the non-union grid adjustment, the cost of the sculpture of Grey Root's logo, and staff reorganization costs.
- The Grey Roots capital budget is projected to come in on target as a result of two recommendations endorsed by Council earlier this year. The anticipated deficit resulting from rehabilitation of the sawmill, will be funded from the Grey

Roots General Reserve. Construction of the church has been delayed and any budgetary savings have been redirected to cover the over expenditure of the sculpture. The Agricultural Exhibit Building will not be fully completed in 2014 and any remaining reserve funds will be brought forward in the 2015 capital budget.

Social Services Committee

The combined budgets for Social Services, Housing and Long-Term Care are anticipated to end the year with a projected surplus of \$130,500. The following are items contributing to this projected surplus:

- The Social Assistance budget is expected to end the year with a surplus of \$3,800. Although the year-to-date caseload is below budgeted assumptions, current over expenditures in both Basic Needs and Shelter are projected to continue to the end of the year due to higher costs per case. However, it is anticipated that under expenditures in Temp Care and Special Assistance will offset these deficits, resulting in a small surplus at year-end.
- The Child Care budget is expected to end the year with a surplus of \$234,500. In 2014, \$195,429 in unbudgeted 100% provincial funding is being received from the Ministry of Education. This additional funding along with savings due to the closure of the Salvation Army Day Care Centre and savings in Purchase of Service due to the full implementation of the Early Learning Program has eliminated the need for the budgeted 100% municipal contribution. These items are all contributing to this projected year-end surplus of \$234,500.
- The Housing Budget is anticipated to end the year with a budget shortfall of approximately \$251,300. Higher than budgeted costs for salaries and benefits, building maintenance, insurance, snow removal, and the rehabilitation of units at vacancy are all contributing to this projected deficit. Specifically the cost of rehabilitating units at vacancy continues to put pressure on the maintenance of buildings. It is anticipated that the cost of building maintenance could be \$200,000 overspent by the end of 2014.
- The combined budgets for those budgets under the direction of the Long Term Care Department are projected to end the year with a surplus of \$115,800. Unbudgeted funding increases and higher than budgeted preferred accommodation revenues have been used to offset higher than anticipated snow removal costs, legal fees, modified duty, wages and benefit costs, and the non-union grid adjustment.

Transportation and Public Safety Committee

The budgets for Transportation Services and Paramedic Services combined are anticipated to end the year with a projected deficit of \$600. Items contributing to this deficit are as listed below:

- The Winter Maintenance budget is anticipated to end the year with an over expenditure of \$724,225. Grey County experienced a significant number of severe winter events (snowfalls, high winds and cold temperatures) from January 1, 2014 to April 15, 2014. The estimated remaining 2014 winter maintenance expenditures have been estimated based on historical spending for this time period. A winter maintenance reserve of \$500,000 is available to assist with offsetting this projected shortfall in funding if required.
- The Summer Maintenance budget took into consideration the anticipated Winter Maintenance deficit and an effort was made to reduce summer maintenance costs while ensuring safety and longevity of the road assets. As a result, a surplus of \$499,225 is anticipated.
- Equipment Operations budget is projected to end the year on budget. While revenue received from equipment usage is greater than anticipated, fuel usage has also exceeded budget estimates and as a result this budget is anticipated to end the year on target. The Transportation Services Department is currently selling surplus equipment and it is expected that this will provide approximately \$275,000 in revenue that had not been included in the 2014 budget. At this time these sales have not been finalized and no revenue has been included in this year-end projection.
- The Construction, Resurfacing and Minor Capital budgets are projected to end the year with a surplus of \$95,000. The majority of projects have now been completed; some contracts have exceeded budget estimates, while other projects have realized savings. Some projects have also been deferred until 2015 and staff will be recommending that the 2014 budgeted funding be utilized in the 2015 budget to undertake these projects at that time. Taking into consideration the transferring of these funds, the Construction, Resurfacing and Minor Capital budgets are projected to end the year with a surplus of \$95,000.
- The Housing and Depots budgets are anticipated to provide a surplus of approximately \$110,000. This surplus is an accumulation of under spending on several projects and minimal spending on miscellaneous capital depot repairs.
- The Paramedic Services budget is projected to end the year with a deficit of \$100,640. This is primarily the result of higher paramedic wages and benefits than anticipated as well as the impact of the non-union grid adjustment. Paramedic wages are higher as the result of overtime during the winter months,

as well as increased hours for modified duty and sick time. Based upon a review of the cost of wages and benefits to October 24, as well as projecting payroll costs for the balance of the year, it is expected an over expenditure of \$84,000 will occur by year-end. Budget shortfalls for maintenance of buildings, fuel and vehicle repairs are also contributing to this deficit. These over expenditures are being offset by higher than anticipated provincial funding. Staff anticipated an increase in funding and included an estimate in the 2014 budget. The funding announced by the Ministry in April has resulted in an additional \$31,153 in funding above the amount budgeted.

Financial / Staffing / Legal / Information Technology

Considerations

Based on financial reports submitted to each of the Standing Committees and a review of actual to budget as of the end of September, the corporation will end the year with a projected surplus of \$285,100.

Staff will continue to monitor financial statements and will provide an update to these year-end projections to each Standing Committee.

Along with these financial updates, recommendations for the use of any year-end surplus funds and/or the funding of any projected deficits will be provided to each applicable Standing Committee later in the 2014 calendar year for their consideration.

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 Weppler
Director of Finance