Committee Report

To:	Warden McQueen and Members of Grey County Council
Committee Date:	June 25, 2020
Subject / Report No:	FR-CW-17-20
Title:	Corporate Financial Update and Year-End Projection as of April 30, 2020
Prepared by:	Kevin Weppler, Director of Corporate Services
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	Not applicable
Status:	Recommendation adopted by Committee as presented per Resolution CW123-20;

Recommendation

1. **That Report FR-CW-17-20 regarding a Corporate Financial Update and Year-End Projection to April 30, 2020 be received; and**

   That due to the major impact COVID-19 has had on municipal finances by reducing revenues and increasing costs, that Grey County support efforts by the Federation of Canadian Municipalities and Association of Municipalities of Ontario to request further financial supports from the Federal and Provincial governments to offset COVID-19 financial impacts.

Executive Summary

This report provides staff's first projection to year-end based on revenues and expenditures to April 30, 2020. The report summarizes any variances that are being projected for the various departmental operations and reflects the potential financial impacts of the COVID-19 pandemic discussed in report FR-CW-11-20. A high-level variance analysis and a set of County financial statements are attached.

Background and Discussion

The purpose of this report is to provide a corporate financial update for all County departments based upon financial statements as of April 30, 2020.

Each Department reviews its actual to budget figures, projects a year-end position by estimating results still to happen and makes some assumptions on the impact of COVID-19. These adjustments have been incorporated into each Department's projections in this report. Highlights of the financial statements and variances are as follows:

- ☐ Administration: Staffing vacancies, staffing changes, reductions in staff training, conferences, travel, etc. are impacting the various Corporate Administration budgets and providing approximately $251,600 in projected surplus funds. Investment income is projected to be lower by $200,000 with interest rates being lower than what had been budgeted. This reduction in income is a result of the Bank of Canada's reductions to interest rates, with interest rates being reduced by 1.50% in March.

  As per policy, the net revenue budgeted from investment income that exceeds 1% of the County's own purpose levy is to be placed in a one-time funding reserve for use in funding non-recurring expenditures. Therefore, with the projected loss in investment income, the 2020 transfer to reserve can be reduced to correlate to this reduction and reduce this impact to the Administration budget portfolio. With this reserve transfer reduction, it is anticipated the Administration budgets will end the year with an estimated positive variance of $251,600.

- ☐ Council: The Council budget is anticipated to end the year with a surplus of approximately $58,000 with savings in salaries and benefits, travel, meal and accommodations as a result of Covid-19 requiring virtual meetings and fewer committee meetings occurring.

- ☐ Information Services: The Information Services budget is anticipated to end the year with a surplus of $23,600. Savings in computer software expenditures, desktop computer hardware costs, and reduced staff training and development costs are the main contributors to this projected surplus.

- ☐ Weekly Indemnity and Workers' Compensation: The Weekly Indemnity (Short Term Disability) and Workers' Compensation budgets are self-insured plans. The premiums charged to County Departments are shown in these budgets as a source of revenue and are used to pay the costs to administer these self-insured plans. The Weekly Indemnity costs are anticipated to end the year with a shortfall of $66,200 and assumes that the number and length of weekly indemnity claims will remain at the current level.

  The Workers' Compensation budget is projecting a year-end deficit of $192,000. The biggest cost drivers are claims where employees have been unable to return to work for a significant period of time and the number and duration of claims. COVID-19 has also impacted employees' ability to receive treatment from physiotherapists, chiropractors etc.
  The number of PTSD/Traumatic Mental Stress claims and associated costs reaffirm the need for the peer support and early intervention program that Council approved for Paramedic Services. If year-end projections are correct and this deficit is realized, the applicable reserve could be utilized to offset this shortfall.

- ☐ Assessment: The costs for the services of the Municipal Property Assessment Corporation (MPAC) will end the year on budget.

☐ Provincial Offences: This budget is projected to end the year with a shortfall of $33,000 after cost sharing with Bruce County. Gross revenues are $245,100 lower than budgeted as of the end of April with Grey County's share being $143,700. Final ticket volume and revenue are difficult to predict based on the first four months of the year, the decrease in tickets written during the pandemic, the uncertainty of when court will reopen and when tickets will be paid. Approximately 963 fewer tickets were issued in the first four months of 2020 compared to the same time period in 2019. The decline in revenue has been offset by a decrease in expenditures as the result of the shutdown of court proceedings. After taking into consideration the projected revenue shortfall, offset by savings in salary and benefit lines as the result of redeployment and savings in lines relating to the operation of court, Grey County's portion of the shortfall is projected to be $33,000. If the revenue shortfall is greater than anticipated and increases to $500,000 for example, a shortfall of $167,00 after cost sharing with Bruce County could be expected.

☐ Health Unit and Other Funding Initiatives: It is anticipated that the Health Unit budget will end the year on budget. The Heath Unit's expenditures related to COVID-19 expenditures have been projected to be $250,000 for 2020. The Provincial Government has announced that the expenditures related to COVID-19, that these emergency expenses will be funded by the Province, if they exceed the Health Unit's 2020 total budget.

The 2020 budget provided a transfer to reserve for Health Care Initiatives and a payment for the Marine Emergency Duties Training Centre at Georgian College. Funding provided in the 2020 budget is sufficient with payments and transfers being allocated as approved.

☐ Property: The operating budgets for the Administration and Morrison Buildings are projected to end the year with a $5,000 operating surplus. Savings in salaries and benefits from an unfilled student position are offset with higher than expected cleaning supplies for the Administration building resulting from COVID-19 pandemic. With exception for the debenture payment, the capital projects are funded from reserve and are expected to remain on budget.

☐ Taxation, Grants and Other. No year-end position has been projected for supplementary taxation and write-offs at this time. 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. The 2020 budget estimated that supplementary taxation revenue would exceed taxation write-offs, vacancy rebates, and other reductions by $374,800.

☐ Planning: The Planning operating and capital budgets are anticipated to end the year with a surplus of $24,000. A surplus is expected in the operating budget as a result of staff being redeployed and their wages being expensed to other departments, as well as staff on leave as a result of the pandemic. At this time with current predictions, the wage and benefits surplus from redeployment and leaves is estimated to be at least $24,000. The application revenue received to date is close to the year-to-date (YTD) budgeted amount and staff anticipate that other applications will be submitted prior to year-end. Therefore, at this stage we anticipate the revenue will be close to the budgeted amount.

With respect to the Planning Capital budget, due to pandemic restrictions limiting opportunities for public engagement, staff are recommending that the Age Friendly Community Strategy be delayed until 2021. This project was to be funded from reserves so there would be no surplus. Staff are also waiting for regulations regarding the Community Benefits Charge to be finalized and therefore the funds budgeted for this initiative could be expensed either later this year or could be deferred to 2021 as well.

- ☐ Agriculture: The Agriculture budget is anticipated to end the year on budget. The current variance between net YTD budget and actual amounts is due to all payments to other organizations already having been paid in full for the year; this variance is predicted to decrease to nil by year-end. As of the end of April, coyote grant expenditures are on track; however beaver grant expenditures are lower than what was budgeted. If this continues there could be a slight surplus at year-end, but it is currently too early to tell.

- ☐ Forestry: The Forestry budget and Forestry Trails budget are currently on track. Forestry activities generally occur later in the year, therefore the current appearance of underspending will even out by year end; however, there could be delays in certain projects due to pandemic related restrictions and impacts to staff resources and contract staff resources.

- ☐ Trails: The Trails operating and capital budgets are anticipated to end the year on budget or potentially end with a surplus depending on whether certain projects are deferred as a result of pandemic restrictions and/or limited staff/contract resources. The replacement of Culvert 80 has been tendered and awarded and has come in slightly under budget (budgeted amount was $243,300 and the awarded amount is $215,706). This project is funded from reserve and therefore no surplus is realized. Culvert 5A and Culvert 15A were slated for replacement/repair this year and it is possible that these could be completed before year-end, however these could also be delayed due to pandemic related restrictions and/or staff resources. These projects are funded from reserve and therefore there will be no surplus.

- ☐ Economic Development & Tourism: The Economic Development and Tourism budgets, operating and capital, are anticipated to end the year on budget. As a result of the pandemic, economic development and tourism budgets are being combined to best serve our stakeholders through a refocus of projects and initiatives to support economic recovery.

  Staff amended plans for Sydenham Campus in March when County buildings closed due to COVID-19 to reduce the deficit potential, understanding revenue projections would not be met as a result of the pandemic. Even with this, staff anticipated a $76,000 deficit resulting from fixed costs. This deficit was been absorbed in the economic development and tourism operating budgets prior to the recovery refocus to ensure the department would remain on budget. The capital budget for Sydenham is anticipated to end the year on budget due to the successful receipt of a $58,000 rural economic development grant for infrastructure improvement.

- ☐ Grey Roots: Grey Roots is anticipating that operating budgets will end the year with a $155,000 surplus. While revenue will be down considerably due to the closure and anticipated limited reopening as a result of COVID-19, there will be budget savings due to staff redeployment, the decision to forgo hiring of summer staff and the postponement of the travelling exhibit. Redeployment savings may need to be used to offset other corporate deficits due to COVID-19. Staff estimate that all revenue categories will decline by 50%-75%. Grey Roots is projecting a capital shortfall of $10,000 due to unexpected additional roof repairs. Staff will look for capital savings to offset this expected shortfall.

- ☐ Ontario Works: The Ontario Works and Administration combined budgets are projected to have a $160,200 surplus at year end. With fewer clients leaving social assistance, the current average monthly caseload is 1,376 compared to the anticipated 1,340. Basic Needs and Shelter are currently overspent and additional COVID-19 related Discretionary Benefits for social assistance clients and Emergency Benefit requests from individuals continue to be received. As of the end of April, $155,140 of additional benefits have been paid. However, there is no net levy impact as all social assistance expenses are 100% provincially funded. Due to the pandemic, senior denture expenses are currently underspent. These costs are expected to increase as denture clinics reopen but a small surplus of $5,000 in the Social Assistance budget is anticipated by year end because Public Health is now offering support for senior dentures as well.

Ontario Works Administration and Employment Support budgets are projected to end the year with approximately $145,500 in gross salary savings with staff vacancies and fewer part time van driver hours. Staff who have retired or resigned will not be replaced this year due to the pandemic, and a student was not hired for the summer. There are also savings anticipated in Getting Ahead Workshops with fewer workshops due to COVID-19, as well as savings in staff training, conferences and travel. These savings are helping to offset additional pandemic related emergency management purchases. The net result of these operational savings is expected to be a surplus of $155,200 by year end.

- ☐ Children's Services: As of June 12th, the childcare sector entered the re-opening phase after being closed by emergency order on March 17th. An expenditure and funding reconciliation are currently being worked on, and with provincial and federal support, the Children's Services budgets are expected to end the year on budget. The ministry has stated that the funding reconciliation for the closure and reopening periods and any subsequent funding adjustments will not place undue hardship on municipal budgets.

During the closure period, funding has been provided to Childcare Operators for eligible fixed overhead costs. Upon reopening, childcare centres are required to follow strict health and safety requirements and will have reduced capacity in the number of children to allow for physical distancing. Provincial funding will be provided to support centres, but in order to eliminate financial hardship on families, this funding is contingent on operators not increasing parent fees at this time. Along with other operating costs, the funding will cover the additional cost of these vacancies, increased staffing needs for screening, personal protective equipment and enhanced cleaning costs.

Fixed Operating funding will continue to flow to centres that choose to remain closed at this time. EarlyON centres and Indigenous Led programs remain closed until further notice but funding will continue to support virtual programming that is being made available to families. Similarly, Special Needs Resourcing (SNR) funding is available to cover fixed operating costs and the expense of SNR services provided.

The Ministry of Education has implemented a funding reconciliation process for the closure and reopening periods and will incorporate fixed costs and reopening costs that are reported by childcare centres. Children's Services staff are currently working with operators and the Ministry to determine provincial and federal funding requirements that will support and ensure sustainability of the childcare sector.

- ☐ Housing: Staffing vacancies, staffing changes, reductions in staff training, conferences, travel, and lower than anticipated heating repairs are impacting Housing budgets and providing approximately $170,000 operating budget surplus. As of April 30, tenant related revenue was higher than projected. Move outs have declined with tenants staying in place during the pandemic. There have been 33 unit turnovers as of April 30 (or 3.3% of the total units). At this pace there will be less unit turnovers than 2019 which had 114 move outs and 2018 with 104.

The operating budget line for painting totals $43,544 and as of April 30, 82% of this budget had been utilized. Overall, this line is estimated to be approximately $40,000 over budget. In the 2020 budget, Housing planned to bring a painter in-house but due to the pandemic, this new hire was delayed and so the Housing department must still rely on external painters. The utility costs are a challenge to predict and for most buildings this early in the year, based upon comparison with 2019 year-to-date actuals, the combined utilities budgets should finish the year on budget.

Staff assumes that the budgets for property taxes and insurance will be sufficient; actual costs will be known when the next report based on September financial statements is presented.

The budget for Non-Profit Housing may generate small savings when year-end reconciliations of the subsidy entitlements are completed. The various Housing Programs (Investment in Affordable Housing, Social Infrastructure Fund, Canada-Ontario Community Housing Initiative etc.) are 100% Ministry funded and will not generate savings.

The Housing capital budget is expected to end the year on target. Approximately seventeen projects originally scheduled to be completed in 2020 will be deferred into 2021 due to the difficulties performing construction work during the global pandemic. Any taxation raised for these projects will be moved to the reserve for use in 2021.

- ☐ Long-Term Care department: Over the past two months, the COVID-19 pandemic has had a significant impact on the finances and operations of the County of Grey Long-Term Care department. The financial implications of COVID-19 are difficult to predict at this time, given the uncertainty of provincial funding regarding extraordinary expenditures and the unknown duration of time this pandemic will last. Complicating the financial forecast are such matters as: the potential for residents and/or staff to become ill with the virus, causing an outbreak, availability and cost of personal protective equipment (PPE), and the additional expenditures required to protect the homes if social distancing restrictions are relaxed in the future.

Expenditures related to COVID-19 have been put into place as a result of provincial directives that have been received from either the Ministry of Long-Term Care, Ministry of Health, or the Chief Medical Officer of Health for Ontario. This includes increased spending relating to additional staff, personal protective equipment, cleaning supplies, equipment to support infection prevention and control measures, and screening and testing initiatives.

Long-term care staff will continue to work closely with staff from Finance, Human Resources and Purchasing to ensure responsible emergency response spending. In the coming months, staff will consider the actions that can be taken to help mitigate costs and reduce future deficits.

- Grey Gables: Grey Gables is expected to end the year with an operating deficit in the range of $135,500 to $383,400. It is expected that salaries and associated benefits will be $475,000 over budgeted. To maintain the safety of the staff and residents, it is estimated that the cost of personal protective equipment and cleaning supplies will be $113,000 over what was budgeted. At this time, Grey Gables has received $100,600 in COVID-19 funding and will receive $104,000 in additional funding for the two beds licensed on March 25, 2020 for a total of $204,600 in additional Ministry funding which will be used to partially offset the COVID expenditures.

  Grey Gables' capital budget is anticipated to end the year on target. Two of Grey Gables' capital projects, the provision of laundry equipment and the replacement of a retaining wall, will be delayed into 2021 due to COVID and the inability to proceed with non-essential construction. The remaining capital projects per the 2020 approved budget are scheduled to continue as planned.

- Lee Manor: Lee Manor is expected to end the year with an operating deficit in the range of $152,600 to $481,500. It is expected that salaries and associated benefits will be $660,000 over budgeted. To maintain the safety of the staff and residents, it is estimated that the cost of personal protective equipment and cleaning supplies will be $172,000 over what was budgeted. Increased security costs, which were not budgeted, are anticipated to cost $24,000.

  At this time, Lee Manor has received $117,200 in COVID-19 funding and will receive $52,000 in additional funding for the one bed licensed on March 25, 2020. It was recently discovered that Structural Compliance of $22,812 per month for Lee Manor will continue until further notice. Since County staff only budgeted for three months of Structural Compliance, this provides an additional unbudgeted amount of nine months of Structural Compliance totaling $205,300 in funding. This provides a total of $374,500 in additional Ministry funding which will be used to partially offset the COVID related expenditures.

  Lee Manor's capital budget is anticipated to end the year on target. One of Lee Manor's capital projects, the redevelopment of resident common area and staff area on main floor, will be delayed to 2021 due to COVID and the inability to proceed with non-essential construction. The remaining capital projects per the 2020 approved budget are scheduled to continue as planned.

- ☐ Rockwood Terrace: Rockwood Terrace is expected to end the year with an operating deficit in the range of $119,400 to $507,600. It is expected that salaries and associated benefits will be $405,000 over budgeted. To maintain the safety of the staff and residents, it is estimated that the cost of personal protective equipment and cleaning supplies will be $150,000 over what was budgeted. Increased PSW agency staffing costs, which are also not budgeted, are anticipated to cost $174,000.

  At this time, Rockwood Terrace has received $117,400 in COVID-19 funding and will receive $104,000 in additional funding for the two beds licensed on March 25, 2020 for a total of $221,400 in additional Ministry funding which can be used to offset COVID-related expenses.

  Rockwood Terrace's capital budget is anticipated to end the year on target. There is a need to provide a safe, comfortable environment while balancing the need to redevelop, so capital projects are only undertaken if necessary.

- ☐ Long Term Care Redevelopment: Any expenditures incurred in 2020 will be recommended to be funded from any surplus within the Long-Term Care budget portfolio and if insufficient, from the Long-Term Care Redevelopment Reserve. At this time, there have been few expenditures incurred.

- ☐ Transportation Services: The Transportation Services Department is projecting to end the year with a $105,000 operating budget shortfall and a $817,700 capital budget surplus. Pavement Marking is forecasting to be overspent by $50,000 due to an increase of 40% in the previous year cost of paint unit rates. Facilities, Depots & Domes is forecasting to be overspent by $25,000 due to unexpected replacements of overhead garage door motors in the Chatsworth, Clarksburg and Ayton Depots that failed over the winter months. The Geotechnical Investigations budgeted for 2020 has been overspent by $30,000 due to unfinished work from 2019 that was completed in 2020.

  Of the 12 capital projects planned to be tendered in 2020, 4 have been tendered and award reports brought forward to Council, and 3 with closed tenders and award reports to come to Council in July. The Grey Road 19 Pulverize and Pave Rehabilitation and Structure 124-145: Singhampton Bridge are Simcoe led projects that have also been awarded. Structure 009-900 Grey Road 9 Lot 13, Conc XIII/XIV, Normanby, Structure 900-272: Orchardville Bridge Removal, and the Grey Road 15 Retaining Wall & Hydro Moves: 28th St (15033) have been deferred to 2021.

  Staff is proposing to help fund corporate deficits related to COVID-19, by providing surplus funds related to projects tendered to date, and by requesting Council's approval to use surplus and additional unbudgeted Federal Gas Tax funds to help fund capital projects in 2020.

  With Council's approval of the use of additional Federal Gas Tax Funds, and the savings of awarded project costs to date, the Transportation Services Department could provide up to approximately $2,300,000 in capital budget funding to assist with corporate deficits related to COVID-19 expenditures.

Based on projections contained in this report, and after the use of any projected surpluses or designated reserves, the funding required to offset those budget deficits related to COVID-19 is projected to equal $1,545,600.

For this report presentation, the Transportation Services capital budget is being projected with a year-end capital surplus of $817,700 based on tendered projects that have been completed to date. This surplus is helping to offset estimated COVIDd-19 deficits that are being projected from other departmental budgets in this report.

If additional funding assistance is provided by upper levels of government, these surplus funds could be returned to Transportation Services reserves for future capital work or a reduction in the use Federal Gas Tax Reserve funding in 2020.

- ☐ Paramedic Services: This service is projected to end the year with a shortfall in the operating budget and a balanced capital budget. The amount of the operating budget shortfall is dependent on the 2020 annual funding announcement, the amount of funding received to assist with the impact of COVID-19 and the duration of the pandemic. The 2020 budget includes an annual funding increase of $67,000; as of May 26, Ministry staff advised there was no time frame available as to when the 2020 funding announcement would be made. Staff began tracking costs associated with COVID-19 in March and as of April 30, these costs totaled $214,411. The Ministry requested cost estimates in late April and based upon best estimates at that time the cost to year-end could be as a worse case scenario $985,000. The Ministry has requested an updated projection from all services prior to releasing a funding announcement; staff is reviewing costs and assumptions to submit this information.

Call volume has decreased during the pandemic and as a result, savings are being seen in the budget lines for meal allowance and fuel. Other savings will exist in lines for staff training, travel and meals. Offsetting these savings are higher expenses for medical supplies, medications and laundry. Based upon data to April 30, budgeted hours for lost time (sick, modified, costs not covered by the WSIB budget) are currently within budget however it is still early in the year. Staff will continue to monitor throughout the year as this is a point in time comparison.

Staff is hopeful that savings and shortfalls in budgeted operating lines will be sufficient to year-end with the caveat that this projection assumes the province will provide at least $67,000 in an annual funding increase and cover the costs associated with COVID-19. The estimated $985,000 shortfall associated with COVID-19 will be mitigated by provincial funding however the amount of that funding is unknown at this time.

The capital budget includes the purchase of two ambulances, the internally financed debenture cost for the Chatsworth station and a transfer to reserve for future building maintenance. Except for the debenture payment and transfer to reserve, vehicle purchases are funded from reserve and proceeds from the sale of used equipment; as a result, the capital budget will not have a surplus at year-end.

Legal and Legislated Requirements

None

Financial and Resource Implications

A review of the actual as compared to budget, as at the end of April for all County departments, projects a corporate year-end deficit position of $1,098,600. This negative variance would represent a 0.70% variance as compared to the 2020 budgeted gross expenditures of $157,467,400.

This negative variance does not incorporate the use of additional Federal Gas Tax Reserve Funds, and the use of any Federal Gas Tax Reserve savings that have been realized based on the awarded Transportation Services projects to date. With Council's approval, the use of additional Federal Gas Tax Funds in 2020, an additional $1,545,600 in funding could be provided, along with the $814,400 in other departmental surplus funds that have been estimated to offset those projected departmental budget deficits related to COVID-19.

Without the use of surplus and additional Federal Gas Tax Funds, a projected deficit of $1,098,600 would be anticipated.

Relevant Consultation

_x_ Internal – CAO, Directors, Managers and Finance staff

Appendices and Attachments

[Attachment to FR-CW-17-20 2020 Operating and Capital Budget Variance Analysis as of April 30, 2020]

[Attachment to FR-CW-17-20 2020 Financial Summary Statements as of April 30, 2020]