

To:	Warden McQueen and Members of Grey County Council
Committee Date:	October 8, 2020
Subject / Report No:	FR-CW-22-20
Title:	2021 High Level Budget Assumptions and 2021 Budget Timelines
Prepared by:	Kevin Wepler, Director of Corporate Services
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	
Status:	Recommendation adopted by Committee as presented per Resolution CW172-20; Endorsed by County Council October 22, 2020 per Resolution CC84-20

Recommendation

1. That Report FR-CW-22-20 regarding the 2021 High Level Budget Assumptions and the 2021 Budget Timelines be received; and
2. That the proposed budget assumptions outlined in Report FR-CW-22-20 be incorporated into the draft 2021 County of Grey budget for council's consideration and direction; and
3. That the 2021 draft budget schedule as set out in Report FR-CW-22-20 be approved.

Executive Summary

- Report outlines the proposed high level budget assumptions for Council consideration and direction for the 2021 draft budget;
- 2021 corporate budget overview and background be presented on November 26, 2020, to provide information on the 2021 budget and the overall estimated 2021 funding requirements;
- 2021 budget to be presented at a Committee of the Whole (budget review) meeting on January 29, 2021, for consideration and approval;
- 2021 budget by-law be presented on February 11, 2021 for adoption.

Background and Discussion

Report FR-CW-22-20 provides high level budget assumptions and timelines for Council's consideration and direction in the development of the 2021 budget.

The COVID-19 pandemic became a Public Health Emergency of international concern January 2020. On March 17, the Government of Ontario declared a state of emergency, ordering the closure of indoor recreational programs, public libraries, theatres, cinemas, private schools (all Ontario public schools were closed on March 14), daycares and the prohibition of all public gatherings or more than 50 people (later reduced to 5 people on March 28). While some containment of the virus and subsequent economic re-opening occurred during the summer, at the time of this report case numbers are rising. If a second shutdown were required this fall, it could have a significant impact on the economy. The tourism sector, an important part of the Grey County economy would be especially vulnerable. Business closures and increasing vacancy rates for commercial space would be expected.

This report includes a list of 2021 budget assumptions, along with any COVID-19 related impacts that will be incorporated into the 2021 budget.

As well, this report includes the 2021 proposed budget timelines which has been established with a target budget approval date of February 11, 2021.

2021 Budget Assumptions

General Assumptions

- Based on historical trends, annual assessment growth will be estimated at 1.4% (previous 5-year average). This growth estimate will be updated in the 2021 budget with the actual growth results with MPAC's return of the 2021 assessment roll.
- Supplementary taxation to be estimated based on historical trends and MPAC's preliminary new assessment forecast, net of any write-offs.
- Insurance costs increasing by 2% in 2021, to be updated with any new information provided by the current insurance provider(s) as they become available.
- Utility costs to be projected based on industry projections and LAS's AMO Business Services commodity cost projections.
- Gas and Diesel projected cost reductions based on current market conditions and current consumption levels.

- Salaries and Benefits to be budgeted based on current negotiated contracts, non-union and Council compensation to be based on compensation formulas and current union negotiated contracts.
- Provincial funding to be assumed to continue at the current known and committed levels, including any announced funding increases and decreases.
- Costs of providing provincially mandated services are based on Ministry regulations and guidelines and will be adjusted to reflect any base funding annual adjustments.
- Continue recommendation included in the 2016 Asset Management Plan to increase tax revenues by 1% each year for the next 15 years solely for the purpose of phasing in full funding to the tax funded asset classes covered in the Asset Management Plan.
- Utilize Building Condition Assessment and Reserve Fund Analysis as a tool to provide maintenance and replacement costs of the County's assets and funding levels required.
- Health Care Initiatives Funding transferred to reserve to continue based on Council's approved recommendation that half of 1% of County levy maximum per year for contribution to capital construction projects of hospitals.

COVID-19 Assumptions

- Long-Term Care staffing levels budgeted to continue based on current Ministry directives or any new directives and regulations that may be received prior to January 29, 2021.
- Personal Protective Equipment (PPE) to remain at current levels and project to continue throughout 2021. This continuation will be based on public health recommendations in order to provide residents, clients, and staff with a safe environment.
- Municipal Operating Funding Phase 1 of \$3,088,500 was received to support 2020 COVID-19 operating costs and pressures in August 2020. Any excess 2020 funding to be placed into reserve to support COVID-19 operating costs and pressures that the County may continue to incur in 2021.
- Training, conferences and travel expenses for 2021 be reflective of the reduction of these costs based on the increased use of video conferencing.
- Investment income to remain low. Reduction in investment income will reduce transfer to one-time funding reserve where, as per policy, any revenue that is budgeted that exceeds 1% of the levy be placed in the one-time funding reserve for non-recurring expenditures.

Staff will continue to monitor budget assumptions based on the most current information.

Departmental Specific Assumptions

Long-Term Care

- Long-Term Care provincial subsidies and user fees to be estimated based on 1.5% Global Level of Care funding increase as announced in 2020, along with current Case Mix Index Classifications (CMI), additional Emergency Licenses funding, Resident Accommodation Fees, and the new Minor Capital Subsidy Program funding allocations.
- Any announced additional COVID-19 Prevention and Containment Funding to be included in 2021 budget.
- Infection prevention and control resources to be included in the 2021 budget.
- Transfer to reserves for future Long-Term Care redevelopment, along with any reserve funding estimated to be required for redevelopment costs in 2021.

Paramedic Services

- Community Paramedicine program be developed on the basis that program will continue to run seven days a week. Any change in funding will impact service levels as this program is fully funded by the Province.
- Any announced COVID-19 funding to be included in the 2021 budget.
- Addition resources be considered in the 2021 budget to improve response times. This item will be brought forward in a future report to Council for consideration.
- Funding for the future construction of a new paramedic services base in Durham.
- Transition in 2021 to new scheduling software to resolve operational matters.

Ontario Works

- Ontario Works caseloads are expected to increase by 3% throughout the year above the 2020 estimated average monthly caseload of 1,316.
- As in 2020, the 2021 Ontario Works Administration funding will continue to be based on 2018 provincial funding levels, as announced by the Province.
- A new funding formula is expected in 2021. This formula will reflect the service delivery changes resulting from Employment Services Transformation.

Children's Services

- A new 50% Administration cost sharing requirement for Child Care Wage Enhancement, Expansion Funding, and Early Learning and Child Care (ELCC) funding is being implemented in 2021.
- The County will also be required to fund 20% of Expansion Funding operating expenditures in a new cost sharing arrangement beginning in 2021.

Social Housing and Non-Profit Housing

- Provincial funding to be based on Ontario Priorities Housing Initiative (OPHI) and Canada-Ontario Community Housing Initiative (COCHI) funding announcements.
- Continued funding for Consolidated Homelessness Prevention Initiative (CHPI) program.

Provincial Offences

- Provincial Offences revenue to be budgeted for 2021 equal to the amount that had been budgeted for the 2020 budget.

Transportation Services

- Federal Gas tax funding in the 2021 budget to be based on 2019-2023 allocation notice of \$2,975,833 for 2021.
- Ontario Community Infrastructure Fund (OCIF) – formula-based funding allocation to be included in the 2021 budget based on the 2020 allocation notice of \$1,279,946.

Municipal Property Assessment Corporation Budget

- The Municipal Property Assessment Corporation's Board of Directors has approved the corporation's 2021 operating budget with a total municipal levy increase of 0%. Municipal billing partners are to receive more details about their individual 2021 levy, which is determined by a formula based on costs, the County's assessment base and number of properties within the municipality, later this year.

Health Unit

- The Government of Ontario has announced extending the one-time 2020 mitigation funding of 10% to 2021. This is recognition of the resources need of public health units to be able to respond to COVID-19 and to keep the 2021 funding at the same level of 2020 funding.

Grey County Transit

- Operating costs and Provincial Funding based on transfer payment agreement and negotiated procurement of this service representing a full year with all approved routes being implemented.

2021 Budget Timelines

Council and staff have historically planned budget timetables for early adoption as a best practice and as a planning tool to provide an organized and efficient approach for the compilation of the budget.

The 2020 budget presentation to Committee was planned for January 28, 2020, in order that County Council and staff would have more certainty regarding upper levels of funding and to provide County staff with more time to review and analyze these funding levels and program changes.

This later budget presentation in 2020, also provided the opportunity for the Municipal Property Assessment Corporation's (MPAC) returned assessment roll for the upcoming budget year to be finalized and the 2020 assessment growth to be confirmed.

It was hoped that the timing of future budgets, commencing with the 2021 budget, a return to the timetable with the budget being presented to Committee in December for consideration. However due to the COVID-19 pandemic, and the effects this pandemic has had on the County of Grey's services, financials, and staff time, the 2021 budget timetable proposes a target budget approval date of February 11, 2021, where a by-law to adopt the estimates of revenues and expenditures for 2021 would be presented for approval.

Where staff need to move forward with expenditures prior to the annual budget being approved, the County's Purchasing Procedures provides staff with the ability to request Council's consideration of pre-budget approval.

Section 10.1 c) of the County's Purchasing Procedure requires the reporting to Council any acquisition of goods or services that is not already approved in the current year's budget, such as items requiring pre-budget approval or post-budget amendments, must be reported to Council in order to have the expenditure authorized via resolution.

The 2021 Proposed Budget Timetable is attached to this report for information.

Budget Development

The annual budget development begins each year with the updating of the Ten Year Capital Forecast. The 2021-2030 Ten Year Capital Forecast was endorsed by County Council on July 9, 2020, and provided Council, and the public, with Grey County's anticipated capital expenditures over a 10-year planning horizon. This forecast also directed staff to utilize the first year of this forecast to be used for planning purposes for the 2021 budget and to be included in the County's 2021 budget for consideration by County Council.

Departmental budget worksheets are provided by Finance staff to the various departments in order that departmental staff can develop their 2021 operating and capital budget submissions. These department budget worksheets contain information on actual revenue and expenditures for the previous 4 fiscal years (2016-2019), average of the previous 4 years and the current year's budget, the current year-to-date actuals, and columns for staff to provide the 2020 year-end projection and the 2021 proposed budget. Each 2021 budget line is then reviewed, and increases, and decreases, being recommended for the 2021 budget year.

Departmental Managers, the Director, and the lead Finance staff member review the annual budget requests, and once finalized, these budget figures are then inputted into the County's financial software for future report generation.

Departmental budget review meetings are then scheduled with the CAO, the Director of Corporate Services, and staff, to review the departmental budget submissions and provide any recommended changes, seek further information, and/or request further review.

Once all the departmental budget submissions have been completed, the overall 2021 draft operating and capital budget submissions are reviewed with the Senior Management Team.

The Director of Corporate Services then provides Council with a corporate budget overview and background in order that Council Members are aware of the overall budget funding requirements to meet the proposed budget as developed by staff and to provide any further direction to staff prior to the annual budget documents being finalized.

Staff then prepare a budget summary and a budget detail document that is provided to Council and posted on the County's website in advance of the Committee of the Whole scheduled budget review meeting.

Layout of the Budget Documents

The annual budget has been historically presented with a budget summary document and a budget detail document. The budget summary document provides an executive summary to the budget and provides highlights of some of the investments or changes that have been incorporated into the annual budget. The budget detail document provides additional detailed budget information on each departmental budget, along with departmental summaries and detailed line itemized budget reports.

The budget detail document was enhanced in 2020 with additional information on a number of indicators, such as growth and socio-economic indicators, debt

management/debt indicators, financial position, provincial funding levels, staffing levels, etc.

As well the detail budget documents were updated to include departmental budgets with the prior year's actuals, the current year's budget and year-end projections, along with the proposed budget, and budget to budget dollar variance and percentage columns.

Staff are not proposing any major changes to these budget presentations for 2021. Some formatting and possible changes to the breakdown of the functions contained in the budget are being considered.

Legal and Legislated Requirements

Section 289 of the *Municipal Act, 2001*, as amended, provides for the following in regards to annual budgets;

Yearly budgets, upper-tier

- (1) For each year, an upper-tier municipality shall, in the year or the immediately preceding year, prepare and adopt a budget including estimates of all sums required during the year for the purposes of the upper-tier municipality including,
- (a) amounts sufficient to pay all debts of the upper-tier municipality falling due within the year;
 - (b) amounts required to be raised for sinking funds or retirement funds;
 - (c) amounts in respect of debenture debt of lower-tier municipalities for the payment of which the upper-tier is liable; and
 - (d) amounts required by law to be provided by the upper-tier municipality for any of its local boards, excluding school boards.

Exception

- (1.1) Despite subsection (1), a budget for a year immediately following a year in which a regular election is held, may only be adopted in the year to which the budget applies.

Financial and Resource Implications

There is no financial impact beyond what has been approved in the 2020 budget.

Relevant Consultation

- Internal (list) Senior Management Team and Finance staff
- External (list)

Appendices and Attachments

[2020 Budget Summary](#)

[2020 Budget Details](#)

[2021 Proposed Budget Timetable](#)

2021 Proposed Budget Timetable

Description	Target Date
Finance Department provides staff with 2021 budget assumptions.	September 18, 2020
Human Resources Department provides 2021 salary and benefit assumptions.	September 18, 2020
Departments develop 2021 operating and capital budget submissions	July to October 2020
CAO, Corporate Services Director and Departmental Staff review 2021 budget submissions	October to November 2020
Director of Corporate Services provides Council with 2021 High Level Budget Assumptions and 2021 Budget Timelines report	October 8, 2020
Senior Management Team reviews 2021 corporate operating and capital budget submissions	November 2020
2021 Budget Notice of budget timelines posted on County's website	October 9, 2020
Director of Corporate Services provides Council with 2021 corporate budget overview and background	November 26, 2020
Finance and Departmental Staff finalize 2021 operating and capital budget summary and detail budget documents	November to December 2020
Distribute proposed budget to Council and make public on County website	January 8, 2021
Committee of the Whole budget review meeting for consideration and approval	January 29, 2021
Present 2021 budget by-law to Council for adoption	February 11, 2021